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CA - 57-75

May 23, 1957

The White House
Washington

THE CABINET

Agenda

9:00 AM, Friday, May 24, 1957

1.	Briefing on OPERATION ALERT, 1957	CI - 57-44/1 CI - 57-44	The Director, Office of Defense Mobilization
2.	Monthly Report on FY 1957 Expenditures and Personnel	(Oral)	The Director, Bureau of the Budget
3.	Implementation of Controls over Hiring	(Oral) (RA - 57-73, Item 3-a)	The Assistant to the President
4.	Policy Concerning Restrictions on Consumer Instalment Credit	CP - 57-69	The Chairman, Council of Economic Advisers
5.	Proposal for the Establishment of a President's Committee on Water Rights and Use	CP - 57-68	The Special Assistant to the President for Public Works Planning
6.	The Current Salk Vaccine Situation	(Oral)	The Secretary of Health, Education, and Welfare

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 8-11-76

MINUTES OF CABINET MEETING

May 24, 1957
9:00 A. M. -- 10:15 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. of State Herter
(for Sec. Dulles)
Sec. Humphrey
Deputy Sec of Defense Quarles
(for Sec. Wilson)
Deputy PMG Stans
(for Mr. Summerfield)
Sec. Seaton
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage, and
Mr. Arnold Jones
Mr. Gordon Gray
Dr. Saulnier
Gov. Stassen

Hon. Arthur Larson, USIA
Adm. Strauss, AEC
Gov. Peterson, FCDA
Hon. Allen Dulles, CIA
Maj. Gen. O. Picher
Maj. Gen. John Bragdon
Mr. Jordan
Mr. Meek

Gov. Adams
Gen. Persons
Mr. Rabb
Gen. Cutler
Gen. Goodpaster
Capt. Aurand
Mr. Shanley
Dr. Hauge
Gov. Pyle
Mr. Morgan
Mr. Martin
Mr. Jack Anderson
Mrs. Wheaton
Mr. Patterson
Mr. Minnich

The President passed along to the Cabinet Mr. Brownell's suggestion that it would be useful if the Administration could at this point advance a budgetary figure to which all officials could give full public support and thus end much of the confusion on budgetary figures. The President saw some difficulty in doing so as a result of publicity already given to reductions -- reductions which affected the NOA figure of $73.3 billion rather than the $71.8 billion expenditure figure.

The President referred also to the matter of Defense overruns and his conversation with Sec. Wilson, who indicated that present programs cannot all be continued at existing levels. The President believed that

PORTIONS EXEMPTED
E.O. 11652, Sec. 5 (B) (3)
GSA letter 11/2/78
NLE Date 11/21/78

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E.O. 11652, Section 1
By bc NLE, Date 11/21/78

#26

wherever it was certain that Congress would not appropriate the full amount requested, it would be well to start curtailing the programs now rather than waiting for July 1st. Mr. Quarles indicated that Defense had begun to issue orders on curtailments effective July 1st.

Regarding school construction and a previous comment of Sec. Benson's, the President suggested that Sam McConnell ought to be consulted by any one who believed that the States were effectively meeting urgent needs. The President asserted that it is just not true to say that the need does not exist or that the States are meeting it. He noted how the need stemmed largely from the national impact of two wars and a depression. He continued that the school construction program is in fact the only new program this year. He realized that the Administration might not get the bill, however hard it tried, because of other controversies.

The Vice President and Sec. Humphrey believed that the Administration should concentrate on Mutual Security and Defense requirements, rather than attempt to focus on the budget as a whole. Sec. Humphrey believed that the confusion of statistics could not effectively be clarified for great numbers of people.

The President concluded the discussion by noting the size of the recently announced US Steel profits, resulting from high prices that contribute to the high cost of Government activities.

[redacted]

Budget Report - Mr. Brundage presented figures showing that a large Defense overrun and a much smaller Agriculture overrun exceeded the savings effected by other agencies by approximately $440 million. He expected FY '57 to wind up with expenditures approximately $550 million above expectations.

Sec. Humphrey commented that many of the savings were in effect bookkeeping savings, whereas the overruns were real. He hoped that the tendency toward direct Treasury borrowing -- without reference to the Appropriations Committee (as with Commodity Credit) -- could be brought to an end. Mr. Benson explained how this tendency had developed for CCC. The President thought that perhaps some appropriations could be put on a two-year basis if necessary to go beyond the annual Appropriations Committee review.

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The President questioned the increase of personnel in the Corps of Engineers. Despite Mr. Quarles' comment about Congressional controls, the President believed the Administration could exercise control over the timing of the Corps' new hiring.

Mr. Brundage reviewed the figures agency by agency on personnel increases. The President suggested the possibility of arbitrarily setting targets which in each instance would accomplish at least some reduction.

Consumer Credit (CP 57-69) - Dr. Saulnier made an extensive presentation of the question of whether the Administration should request standby authority to control consumer credit. This presentation was the outcome of careful study of the survey made over the past year by the Federal Reserve Board pursuant to the President's request in the 1956 Economic Report.

On the basis of extensive statistics, Dr. Saulnier estimated that the "burden" of consumer credit on the individual had not increased, and that the "burden" for the economy as a whole had probably not increased. He pointed to several shifts as to types of credit, a development that he believed desirable in a really dynamic economy. As for automobile credit, he felt that all the factors pointed toward tightening of terms rather than further liberalization. Dr. Saulnier concluded that the Council felt it unnecessary now to request authority to regulate credit.

Personnel Controls - Governor Adams queried the Cabinet as to whether it would be helpful to bring together for informal discussions the people designated by Cabinet heads to control hiring within their agencies.

Sec. Humphrey recounted the effectiveness of measures taken by Treasury. Mr. Stans pointed to the unique position of Post Office and suggested that personnel charts should be rewritten to show the situation of the Administration without inclusion of the Post Office which obviously had to expand whenever the volume of mail expanded. Mr. Folsom noted again the problem created for HEW by the enlarged social security program.

Secs. Humphrey, Benson, Folsom, Weeks, Seaton, Quarles, and Mr. Brundage all believed such meetings would be helpful. No objections were voiced. Governor Adams then asked that the individuals concerned be alerted so that they could prepare discussion of various problems.

Water Rights and Use (CP 57-68) - Gen. Bragdon presented the problems involved in this matter of long-standing controversy and recommended approval of the Executive Order as set forth in the Cabinet paper.

It was suggested that the reporting date of the Committee be set at November 30, 1958, instead of October 31. Sec. Benson and the President commented on the deep interest that people have in this subject, especially in the West.

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In response to a query, Gen. Bragdon indicated that the Executive Order would go to Budget but probably did not need to be circulated again through the agencies. He pointed out that extensive clearance activity had already been effected. The President saw no great problem involved, for such prior clearance should make it easy now to obtain formal clearance.

Salk Vaccine - Sec. Folsom reported briefly on the availability of the vaccine after the recent shortage. He indicated that HEW was working with the Advertising Council to promote a year-round program. He stated that a program for Federal civilian employees was in prospect which would undoubtedly draw the criticism of the AMA which does not want doctors in Federal service to administer the vaccine. The President ascertained that individuals receiving the vaccine generally were paying its cost. In this connection, Mr. Folsom pointed to the absence of pressure for extending another year the existing program of grants to the States.

Price Index - Sec. Mitchell noted very briefly that the Price Index showed another rise for the month of May and that "escalator" raises would occur. In addition, he pointed to the forthcoming increment for auto workers which, together with the US steel price rise, would constitute further inflationary pressure.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

THE WHITE HOUSE
WASHINGTON

May 21, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for May 24, 1957

— fixed Comm in budget —

The following items have been scheduled, subject to your approval, for the agenda of the Cabinet meeting at 9:00 A.M. this coming Friday:

1. Briefing on OPERATION ALERT, 1957 (Mr. Gray)

OPERATION ALERT this year will begin with a 39-day build-up period of increasing "crisis," followed by an 8-day "attack" period. You have suggested that the Cabinet as a body be used during these weeks as the forum for discussing the hypothetical but thoroughly realistic policies and actions which would be assumed to be required of the Federal Government. This arrangement is thoroughly consistent with the great interest and wide participation which the Cabinet has given to these exercises in the past two years. Mr. Gray will brief the Cabinet on these arrangements and on what will be expected of them from June 3 to July 19.

Mr. Gray has prepared a paper which spells out these arrangements and which has been circulated for advance study. At Mr. Gray's request, we have invited Mr. Allen Dulles, Admiral Strauss, and Major General Oliver Picher (representing Admiral Radford) to attend the meeting for this item.

PRESENTATION TIME: 10 minutes

2. Monthly Report on FY 1957 Expenditures and Personnel (Director Brundage)

As was agreed at a Cabinet meeting in January, Mr. Brundage will

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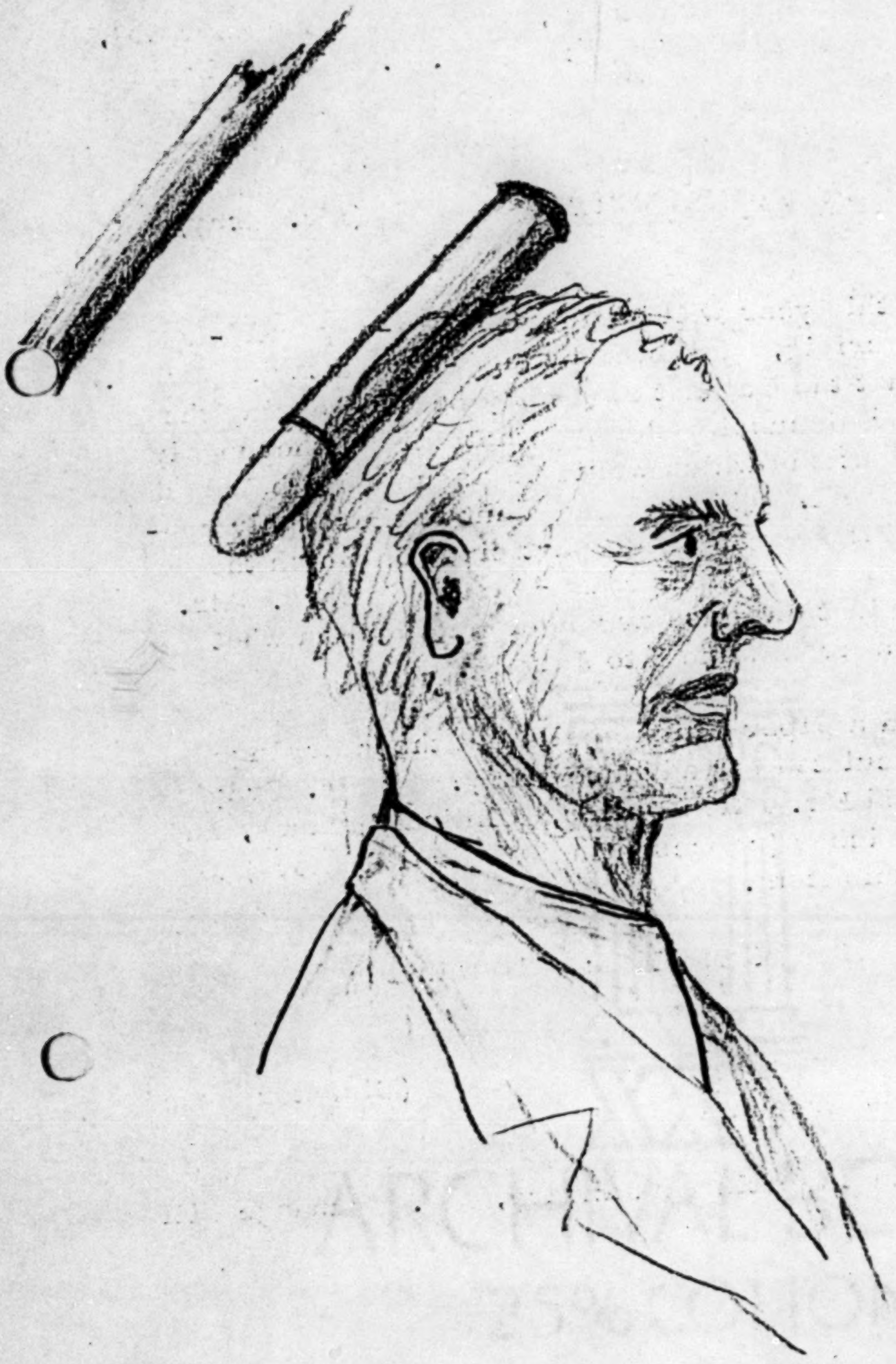

present briefly the monthly picture of expenditures and personnel totals for the Departments in this current fiscal year. This data is being given to him each month by each of the Departments and is presented in succinct tabular form, enabling you and the Cabinet to see how the Administration is doing in Fiscal Year 1957 and where potential weak spots are.

PRESENTATION TIME: 8 minutes

~~3. Proposals for a Long-Range Minerals Program (Secretary Seaton)~~

~~Secretary Seaton, mindful of your campaign promise to present to the Congress promptly some kind of a program with respect to minerals resources and minerals production, has drawn up a set of recommendations which he has been discussing with the many interested departments. His initial recommendations, involving subsidies and tariffs were not acceptable to the other departments concerned. We understand that now some compromise proposals have been prepared which are more likely to gain interdepartmental concurrence. These will be discussed with you this coming Thursday morning, following which we anticipate circulating a brief Cabinet paper and discussing these proposals in Cabinet on Friday.~~

#3: see p. 3.

PRESENTATION TIME: 15 minutes

4. **Policy Concerning Restrictions on Consumer Instalment Credit** (Dr. Saulnier)

Last March 20, the Federal Reserve Board released a document with major, nationwide implications -- its 5-volume study of Consumer Instalment Credit, undertaken in February 1956 for the Council of Economic Advisers at your direction. The Council has been studying this report thoroughly for two months. On the basis of the Council's study and using the Federal Reserve Board report, Dr. Saulnier has prepared a basic recommendation for policy in this field. He has discussed this with you, and will present it to the Cabinet on Friday, with the assistance of a brief Cabinet paper which he has prepared for Cabinet study.

PRESENTATION TIME: 15 minutes

5. **Proposal for a President's Committee on Water Rights and Use** (General Bragdon)

The Report of the Presidential Advisory Committee on Water Resources Policy and Organization, released in January of 1956, dealt briefly with the very thorny question of Federal vs. State water rights, and recommended that a special Federal-State-local study group be established to explore feasible and proper policies in this area. General Bragdon has at last gained general concurrence among the interested agencies on a proposed Executive Order which would set up such a combined governmental-private study group, and which would fix its terms of reference. This is ready for Cabinet-level concurrence and your approval, following which it would be sent through Budget's technical review, preceding its signature.

General Bragdon has prepared a Cabinet paper which gives the full background of this controversial problem. As an attachment to this paper there has also been circulated a draft Executive Order. General Bragdon will present this item to the Cabinet on Friday with the aid of charts.

PRESENTATION TIME: 15 minutes

6. **The Current Salk Vaccine Situation** (Secretary Folsom)

Secretary Folsom recently informed us that he wishes to take five minutes to give you and the Cabinet a fill-in on where we stand nationally with respect to supplies, demands, and results of the Salk vaccine. He wishes to do this before the polio season is upon us.

PRESENTATION TIME: 5 minutes

→ (3.) **Implementation of Controls over Hiring** ✓ (Governor Adams)

At the Cabinet meeting of May 3, you indicated your strong desire that each Cabinet member should "identify the officers in his agency who are responsible for approving new hiring and to ensure that each of these officers confines this hiring to the absolute minimum necessary."

Governor Adams is planning to call a meeting of the Under Secretary and Assistant Secretary level people in the Departments concerned with hiring in order to impress upon them how important it is for each agency to have effective internal controls. Governor Adams wishes to alert the Cabinet that this meeting will be set up shortly.

PRESENTATION TIME: 2 minutes

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

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THE CABINET

Operation Alert, 1957

For information of the Cabinet, attached are a memorandum and its supplements prepared by the Director of the Office of Defense Mobilization.

The memorandum summarizes the status of planning to date for OPERATION ALERT, 1957 and describes the nature and time-phasing of the exercises scheduled for next summer.

The first two attachments to the memorandum give further details, including a visual representation of the time-phasing of the exercises and of their component actions.

The third attachment is a Progress Report on the implementation of Cabinet Paper 56-56/1 (circulated to but not actually discussed at Cabinet). It is the judgment of the Director of the Office of Defense Mobilization that CP - 56-56/1 has served its purpose without having formally become an approved paper; the Progress Report given here shows the action which has been taken on the eleven general recommendations which were set forth in that paper. CP - 56-56/1 will therefore not be scheduled on the Cabinet agenda.

Maxwell M. Rabb
Secretary to the Cabinet

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January 25, 1957

THE CABINET

Subject: OPERATION ALERT 1957

Discussion: The plans for Operation Alert 1957 **have been prepared by** the Office of Defense Mobilization, with the assistance of all agencies concerned acting through the Inter-agency Planning Group. The plans take into consideration the experience and recommendations growing out of past exercises.

The significant feature of Operation Alert 1957 will be its time phasing so as to permit the testing of current mobilization plans for two general types of situations (Plans C and D-Minus), as well as a nation-wide civil defense exercise.

The exercise will be phased into three time periods:

1. June thru mid-July — The exercise will start with an assumed international situation which will be played in place and only within the Federal government. During this period there will be a transition to a war-time organization. Near the close of this period an advance partial activation of relocation sites will take place.

2. July 12-14 -- An hypothetical attack on the United States will initiate a nation-wide civil defense training exercise which will run for three days. The targets have been developed by the State Civil Defense Directors and have been reviewed by the Inter-agency Planning Group, but will not be announced prior to the exercise. Attack data will flow from local levels to national headquarters during the play of the exercise. Federal agencies will operate from their relocation sites with their advance cadres.

3. July 15-19 -- Mobilization and rehabilitation operations will commence as of D plus 10. Staffs will be augmented. A scenario describing the principal actions that have been taken, and initial damage assessment data will be furnished.

Attachments: 1. Program Memorandum X-12, February 6, 1957, Subject: Operation Alert 1957.

2. Annex No. 1 to Program Memorandum X-12, Subject: Assumptions, Operational Guidance and Time Phasing for Operation Alert 1957.

3. Progress report on CP - 56-56/1.

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Attachment No. 1.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION
Washington 25, D. C.

Program Memorandum X-12
February 6, 1957

TO HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Operation Alert 1957.

1. A national readiness exercise, designated as "Operation Alert 1957," will be held in July 1957.

2. Purpose. Purpose of "Operation Alert 1957" is to improve the readiness of the nation to meet promptly and effectively emergency situations, resulting from enemy action. Particular attention and emphasis will be directed at increased education of the public, training of the civil defense forces, and the performance of immediate essential wartime functions of the Federal agencies.

3. Objectives. Objectives of the exercise are:

A. To appraise and improve the national readiness to --

(1) Execute actions necessary to prosecute successfully a war evolving from an attack on U. S. forces and/or an attack on the continental United States;

(2) Meet the survival and recovery needs of the nation;

(3) Maintain and strengthen the functioning of government at local, State, and national levels under emergency situations.

B. To determine the necessary modifications in mobilization planning that will enable the nation to best meet emergency situations.

4. Scope. The exercise will be conducted within the scope of mobilization plans. The situation will include a mobilization emergency period culminating in an attack on the United States.

5. Guidelines. Instructions to be developed with the assistance of the Inter-agency Planning Group and will include the following guidelines:

Annex No. 1 - The assumptions, operational guidance and time phasing for the exercise (attached).

Annex No. 2 - Communications (to be developed and distributed).

Annex No. 3 - Damage Assessment (to be developed and distributed).

Annex No. 4 - Relocation Operations Guide (to be developed and distributed).

Annex No. 5 - Evaluation and Reports (to be developed and distributed).

Annex No. 6 - Public Information (to be developed and distributed).

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OFFICIAL USE ONLY Attachment No. 2

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION
Washington 25, D. C.

Program Memorandum-X-12
Annex No. 1
February 6, 1957

TO HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Assumptions, Operational Guidance and Time Phasing for Operation Alert 1957.

1. The exercise will start early in June with an assumed international situation that quickly develops into a Plan C situation, followed in July with a hypothetical attack on the United States.

2. The Plan C situation will be a controlled situation running for approximately 30 to 45 days and will be played internally within the Federal government. This phase will be played in place.

3. During the period certain Presidential Actions will be directed:

a. Order to step up war organization and civil defense.

b. Directing that precautionary measures be taken and that the relocation sites be manned by cadres (Wartime Organization Structure) and other actions appropriate to the situation.

4. The D-Minus situation will be triggered by an hypothetical attack on the United States. Time of attack 11:00 a.m., EST, Friday, July 12.

5. The D-Minus situation will be phased into two operational periods.

a. First phase is the civil defense phase and would run from the air raid warning through July 14. The Federal agencies would operate during this period, from their relocation sites, with the cadres that are in place, on exercise operations. The targets will not be announced prior to the attack and information including damage assessment will be developed from initial reporting from local civil defense units. Survival and concurrent mobilization actions will be taken.

b. The second phase will start on Monday, July 15 and run through July 19. All Federal agencies will augment their cadres at relocation sites during this period. The situation will be a D-plus (D-plus 5 or 10), and will open with a scenario that will incorporate the principal actions taken with the initial assessment of the damage to the United States which will permit the continuity of mobilization actions.

6. Personnel strength at relocation sites -

The assignment of personnel to relocation sites will be the responsibility of the agency concerned, consistent with the actual and assumed situation and with the objective of the exercise.

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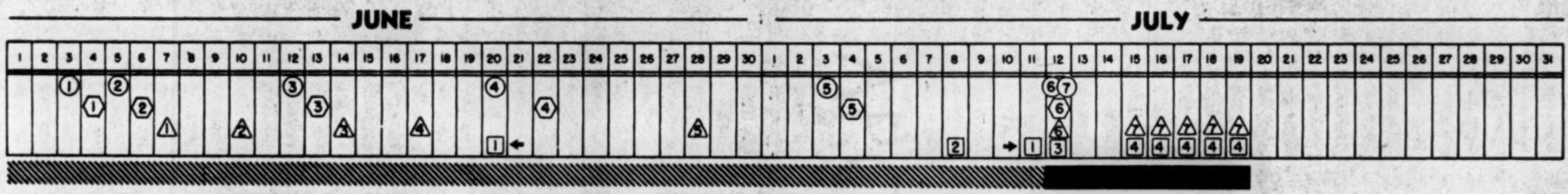
OPERATION ALERT 1957



SITUATION

INTELLIGENCE BULLETINS	① International Situation Setting	② International Mobilization Activities	③ Attack on Friendly Nation	④ Attack on U.S. Forces	⑤ War Expands	⑥ Air Raid Warning	⑦ Attack on U.S.
NEWS FLASHES	⬡1 News Summary	⬡2 Border Incidents	⬡3 Appeal for Help	⬡4 U N Security Council Meets	⬡5 Revolt in Occupied Territory	⬡6 Civil Defense Emergency	

ACTIONS

PRESIDENTIAL	△1 Message to Nation	△2 Warning Statement on U.S. Support of Allies	△3 Order to Take Precautionary Measures	△4 Order to Step-up War Organization & Civil Defense	△5 Call Congress or Report to Congress	△6 D-Minus Situation & Action	△7 Continued D-Minus Actions
AGENCIES				☐1 Plan C Actions	☐2 Man Relocation Site with Cadre on WO Basis	☐3 D-Minus Situation & Action	☐4 Continued D-Minus Actions

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Attachment No. 3
January 25, 1957

THE CABINET

Subject: Progress Report on CP-56-56/1 Critique and Recommendations on the Resources Mobilization Aspects of Operation Alert 1956

Discussion: Immediately following Operation Alert 1956, a Cabinet paper on an evaluation of the exercise was prepared and circulated. The recommendations contained in the paper have been reviewed by the agencies concerned. Substantial progress has been made in remedial actions to correct deficiencies and improve the state of readiness. A summary of progress with respect to the specific recommendations follows:

Recommendation 1. More intensive effort should be expended by all departments and agencies in perfecting plans which will place the required amount of supporting action on their field units. The field offices should be included in readiness planning as well as the performance of essential functions.

Progress: Field units are now engaged in developing action plans.

Recommendation 2. In view of the emphasis that will have to be placed on the field activities of resource agencies in the period immediately following attack, the role of the Regional Coordinators and the Regional Mobilization Committees should be reexamined in the light of experience during Operation Alert 1956, with particular emphasis on the relationship between these committees and the Federal Civil Defense Administration.

Progress: Federal Civil Defense Administration, Department of Defense and the Office of Defense Mobilization have prepared a joint memorandum of understanding on the regional roles of FCDA and ODM. This memorandum clarifies the regional relationships which Operation Alert 1956 revealed as needing clarification.

Recommendation 3. A program should be developed for conducting interagency exercises, not necessarily involving relocation, which will test plans and actions taken to deal with substantive problems.

Progress: A program of quarterly Problem Exercises is now under way. The first Exercise was conducted in December 1956.

Recommendation 4. A careful review of wartime organization should be made in light of experiences in Operation Alert 1956, with special emphasis being placed on the problem of phasing from the peacetime to the wartime organization.

Progress: Staff studies have been made and it is expected that a paper will be submitted to Cabinet in the next 60 days on Wartime Organization with special emphasis on the phasing of activation in relation to capabilities.

Recommendation 5. Mobilization Plan D-Minus should be refined and increased in scope to permit its use as a standard with which all directives, delegations and assignments of responsibilities to departments and agencies can be made consistent.

Progress: Plan D-Minus is being revised to meet this recommendation. It is scheduled for release in March.

CABINET PAPER

For Information

Recommendation 6. A further review should be made as to the desirability of declassifying the site locations.

Progress: Declassification will depend on what can be developed to safeguard the integrity of the inter-agency communications system. This is under constant study by the Communications Technical Group.

Recommendation 7. During the coming months, high priority should be given to developing documents which delegate authority to act automatically after attack, getting them properly cleared and issued.

Progress: This action is part of development of agencies' plans in support of Plans C and D Minus.

Recommendation 8. Each agency, in accordance with the President's budget policy, should make plans for financing its mobilization planning activities, including relocation and testing.

Progress: Where, in the conduct of programs assigned or delegated under Defense Mobilization orders, agencies require resources over and above those needed for regular peacetime programs, they should be budgeted for by the agency and justified in the course of the budget process.

Recommendation 9. In developing testing plans for the calendar year 1957, consideration should be given to testing the Government's readiness plans some time subsequent to a nation-wide civil defense training exercise at the state and local level, thus making it possible to place more emphasis on testing the ability of the wartime organization of the Executive Branch to carry out its responsibilities.

Progress: Provision to meet the above recommendation is in the plans for Operation Alert 1957.

Recommendation 10. In view of what will be the true state of mind of employees who reach the relocation sites following an attack, agencies should simplify the organization of work at their sites; evaluate and, as needed, improve their emergency plans for keeping employees informed of developments in the agency and elsewhere.

Progress: Re-evaluation of essential functions which cannot be interrupted in the initial phase of an emergency is now underway. Mobilization Plans C and D Minus are being reappraised and tested in a systematic fashion. Agency heads have attended several orientation meetings, the results of which have been reflected in intensified mobilization planning activity at staff levels. All of these developments should help to identify and simplify the tasks to be performed at relocation sites in an emergency. They should also make it possible for the individual employee to recognize the purposeful nature of his own assignment.

Recommendation 11. A standby emergency information coordinating organization should be developed now.

Progress: A Committee has been formally established, under the direction of the Press Secretary to the President, to develop and complete public information preparedness planning, including programming for Operation Alert 1957 and the staffing of a standby organization.

RA - 57 - 73

May 3, 1957

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, May 3, 1957:

1. White House Swearing-in Ceremonies

ACTION:

In view of the suggestions of the President, the Assistant to the President will work out appropriate criteria for consistent practice with respect to high-level officers.

2. Current Economic Situation and Outlook

(Information Item Only)

✓3. Monthly Budget Report (RA-56-63, items 1-a and 1-c; RA-57-69, item 1-b-ii; RA-57-71, item 4-a)

ACTION:

a) As indicated in previous Cabinet assignments, the President again requested each department and agency head to identify the officers in his agency who are responsible for approving new hiring and to ensure that each of these officers confines this hiring to the absolute minimum necessary.

b) The Secretary of the Treasury will bring forward for further Cabinet review in June the subject of the debt limit in view of the then prevailing budget picture.

4. New Arrangements for Developing Telecommunications Policy

ACTION:

a) The Cabinet Committee on Telecommunications Policy and Organization was terminated.

b) The Director of the Office of Defense Mobilization will use the Telecommunications Advisory Board, augmented as appropriate by representation from the Post Office Department, the U. S. Information Agency, and other departments, as his interdepartmental coordinating device for developing telecommunications policies.

c) The Director of the Office of Defense Mobilization will from time to time lay before the Cabinet for consideration policy questions in the area of telecommunications.

5. Charges for Certain Government Services- CP - 57-49/3 Report of the Interdepartmental Committee

ACTION:

a) Cabinet Paper 57-49/3, including all the recommendations set forth therein, was approved.

Maxwell M. Rabb
Secretary to the Cabinet

CP - 57-69

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THE CABINET

Policy Concerning Restrictions on Consumer Instalment Credit

For consideration by the Cabinet attached is a brief paper on the above subject prepared by the Chairman of the Council of Economic Advisers.

This paper sets forth the analysis and conclusions of the Council, based on its study of the comprehensive Report of the Federal Reserve Board on the same subject made public on March 20, 1957.

The findings of the Council are summarized in the eight points which precede this paper; Point 8 incorporates the recommendation which is herewith submitted for Cabinet concurrence and the approval of the President.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

CP - 57-69

May 21, 1957

CABINET PAPER—PRIVILEGED

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Should a Request be Made for Legislation Authorizing Stand-by Controls Over the Terms on Which Consumer Instalment Credit is Extended?

SUMMARY

1. Although it cannot be shown conclusively that consumer instalment credit has been an originating cause of economic fluctuations, it is generally agreed that the use of this type of credit has tended in the past to accentuate ups and downs in business.

2. It has done this by augmenting consumer expenditures during expansion periods, and by absorbing consumer income in the repayment of debt during periods of contraction.

3. Defaults and losses on consumer instalment credits have not been sufficiently high, even under the most severe depression conditions, to be a seriously destabilizing factor in our economy.

4. The evidence of the Federal Reserve Board study suggests that general credit controls do have a restrictive effect on consumer instalment credit, though their impact is not felt promptly.

5. Viewed in retrospect, even the events of 1955-57 do not suggest the need for a Regulation W-type of control. The economy survived the surge of credit buying that occurred in 1955 with relatively little disturbance to growth and stability. Something comparable to the surge of business capital expenditures that came along in 1956 to fill the gap caused by receding auto demand might not occur again, but 1956 shows that it can happen. Prima facie, this experience suggests that one should allow credit to be allocated by free market forces, within a total credit volume that is held within reasonable limits by general credit restraints.

6. The high level of auto sales in 1955, and the parallel high level of credit extensions, was caused by a combination of factors--the introduction of exceptionally attractive models, rising incomes, and increasingly liberal credit terms--that is not likely to recur. A further extensive liberalization of terms is unlikely because credit terms have now been extended close to the limits of risk exposure that can be tolerated by lenders, and close to the point that borrowers are likely to accept.

7. There is no need for control of instalment credit terms at this time and no future need can be seen at this time. A request for such controls would tend to depress further an already depressed automotive industry.

8. Recommendation: The Administration should not at this time request stand-by authority to impose regulations on instalment credit terms.

* * * * * * * * * *

Background Statement

The use of consumer instalment credit has made it possible for our economy to expand more rapidly than would otherwise be possible and enabled American families to achieve higher levels of living. Moreover, it is a basic principle of this Administration that these levels of living will rise most rapidly if market forces are allowed to work themselves out with a minimum of interference from government. The major question, then, is whether the use of consumer instalment credit may be expected periodically to surge ahead so rapidly as to justify special restraints, imposed in the interest of minimizing economic instability.

I. Is Consumer Instalment Credit a Destabilizing Factor in our Economy?

Clearly, stand-by authority to regulate the terms on which consumer instalment credit may be extended cannot be justified except on evidence that this type of credit has exerted a significantly destabilizing influence on our economy, and is likely to do so again in the future. What does the record show with regard to these questions?

First, it is generally agreed that the use of consumer instalment credit has tended to accentuate fluctuations in general business activity. During periods of business expansion, instalment credit has made it possible for consumer expenditures to increase more rapidly than would otherwise be possible; and during contraction periods, the use of income to repay debt has accentuated the decline in consumer expenditures. Consumer instalment credit seems to have had this effect in the expansions of 1933-37, 1939-41, 1952-53, and 1954-55, in the contractions of 1930-32 and 1937-38, and to have exerted a mild contractive influence in the recession of 1953-54.

Special importance attaches to the part played by consumer instalment credit during the expansion beginning in late 1954. Without doubt it was a significantly expansive factor in this period. Increased outlays on automobiles were a major factor in the over-all expansion through 1955, the enlarged production of automobiles and associated items accounting for one-fourth of the increase in industrial output. In 1956, on the other hand, automobile demand played an opposite role in economic developments. Total outlays on automobiles were reduced by $8½ billion (on an annual rate basis) between the third quarter of 1955 and the third quarter of 1956. Whereas consumer instalment credit supplemented purchasing power in 1954-55 at a rate of close to $1½ billion a year, its supplementation of consumer purchasing power in 1956 fell to less than $500 million a year.

Although the record shows quite clearly that cyclical swings in business activity have been accentuated by the use of consumer instalment credit, it is less clear that this type of credit has operated independently to help initiate swings in business conditions. In general, shifts from an excess of net credits over repayments to an excess of repayments over new credit extensions have occurred only after the change in general business conditions has occurred. However, the expansive force of consumer instalment credit has tended to reach its peak somewhat in advance of the downturn in general business; and similarly, the contractive influence of consumer instalment credit has tended to exert its greatest pressure a few months before the recovery of general business conditions begins. Although these facts suggest that swings in business conditions may originate, to some degree, in the use of consumer instalment credit, the evidence is far from conclusive. But this makes little difference to the present issue, since the fact that this type of credit has tended to accentuate economic fluctuations, however these are initiated, justifies a close examination of the need for stand-by authority to regulate the terms on which it is extended.

II. Have Losses on Consumer Instalment Credit Been a Destabilizing Factor in Business Cycles?

The quality of consumer instalment credits is closely connected with the maturity and downpayment terms on which they are extended. It is also known that delinquencies, repossessions and write-offs of losses are higher in periods of recession than of expansion. However, it is clear that to this date losses have not been sufficiently high relative to the charges made for this type of credit to threaten the financial position of sales finance companies or other lenders.

III. Is Consumer Instalment Credit Responsive to General Credit Restraint?

This question involves two considerations. First, are the powers of the Federal Reserve authorities to restrain the expansion of the over-all volume of bank credit so limited as to require recourse to selective credit controls? Second, even if the over-all credit volume is held within appropriate limits, do the authorities need to supplement their devices for controlling particular types of credit by authority to set limits to the terms on which consumer instalment credits may be extended?

It is quite clear from the record that existing instruments of credit control, provided they are used with sufficient determination, can hold an expansion in total bank credit and the money supply within desired limits. Further, there is some evidence that these over-all credit restraints reach through to the consumer lending institutions and to the consumers' use of instalment credit, though it takes some time for their impact to be felt. The Federal Reserve study shows the following: (1) the extension of credit to sales finance companies by commercial banks was reduced sharply in the second half of 1955, and was still further moderated in the first half of 1956; (2) the cost of borrowing for sales finance companies, which had been reduced in 1953-54, rose substantially in 1955-56; (3) commercial banks tended during 1955 to restrict their direct participation in instalment lending, in some cases placing limits on the expansion of their own consumer loans and seeking new dealer accounts less vigorously; and (4) whereas the terms of instalment credits were substantially liberalized up to mid-1955, this trend was largely checked by midyear. All these things suggest that this particular type of credit is reached by general credit controls.

IV. Is Stand-by Authority to Regulate Consumer Instalment Credit Terms Needed Now?

The critical question is whether, in a situation such as 1955, the degree of general credit control necessary to hold consumer instalment credit within appropriate limits might not be greater than would be desirable for the economy generally. If so, over-all economic development might be unduly restrained by efforts to prevent, through general credit control, the excessive use of credit in a specific area.

This may prove to be the case in some future situation, but the events of 1956 and the first few months of 1957 make it quite clear that the policy of general credit restraint did eventually limit further extensions of consumer instalment credit, and that our economy survived the 1955 surge of automobile buying and instalment credit extension without experiencing serious over-all instability. At least, it is now clear that the liberalization of consumer instalment credit terms came virtually to an end by mid-1956, and while auto buying receded sharply in 1956, business expenditures on plant and equipment increased to fill the gap. In retrospect it might have been well to have taken sales of, say, a million cars from 1955 and spread them over 1956 and 1957, but no one can be certain that it would have been possible to carry things out quite that way. In short, considering the period as a whole, it is not clear that the use of such controls would have contributed greatly to the stability and vitality of our economy.

V. Will the Authority be Needed in the Future?

The immediate outlook for the use of credit in auto sales, or in sales of other consumer durable goods, does not suggest that selective controls over these areas of credit use will be needed in the calculable future. On this point, the Federal Reserve study concludes that ". . . liberalization in credit terms may have approached the limits of risk exposure tolerable to lenders," and its survey of auto financing showed that many instalment buyers would prefer, in their next credit purchase, to purchase their car on a contract of shorter length. It also concludes that the 1955 surge of auto buying was caused by a combination of circumstances --attractive model changes, rising incomes, and increasingly liberal credit terms--not likely to occur again and that a ". . . closer balance would ordinarily be expected between stimulating and retarding factors."

No one can be entirely sure, of course, but there is a fair chance that the circumstances that suggested the use of controls in 1955 will not reappear in peacetime. At least, there is no present indication that they will reappear in quite the same form. And a request for such controls would be inopportune at this time, when automobile sales are running considerably below the industry's capacity to produce.

Conclusions and Recommendation

These considerations lead to the conclusion that stand-by authority to regulate consumer instalment credit terms should not be requested at this time. This is, of course, without prejudice to the possible desirability of requesting such legislation sometime in the future.

CP - 57-69

May 25, 1957

The White House

Washington

THE CABINET

Policy Concerning Restrictions on Consumer Instalment Credit

The attached approved paper is circulated for the information of the Cabinet.

The Recommendation in the attached paper has been approved by the President, as stated in Cabinet Record of Action RA - 57-75, Item 4.

Also attached, for the information of the Cabinet, is a copy of the White House release of the above date in which the President's approval of the policy recommended was made public.

Maxwell M. Rabb
Secretary to the Cabinet

CP - 57-69

CABINET PAPER—PRIVILEGED May 24, 1957

Property of the White House—For Authorized Persons Only

Should a Request be Made for Legislation Authorizing Stand-by Controls Over the Terms on Which Consumer Instalment Credit is Extended?

SUMMARY

1. Although it cannot be shown conclusively that consumer instalment credit has been an originating cause of economic fluctuations, it is generally agreed that the use of this type of credit has tended in the past to accentuate ups and downs in business.

2. It has done this by augmenting consumer expenditures during expansion periods, and by absorbing consumer income in the repayment of debt during periods of contraction.

3. Defaults and losses on consumer instalment credits have not been sufficiently high, even under the most severe depression conditions, to be a seriously destabilizing factor in our economy.

4. The evidence of the Federal Reserve Board study suggests that general credit controls do have a restrictive effect on consumer instalment credit, though their impact is not felt promptly.

5. Viewed in retrospect, even the events of 1955-57 do not suggest the need for a Regulation W-type of control. The economy survived the surge of credit buying that occurred in 1955 with relatively little disturbance to growth and stability. Something comparable to the surge of business capital expenditures that came along in 1956 to fill the gap caused by receding auto demand might not occur again, but 1956 shows that it can happen. Prima facie, this experience suggests that one should allow credit to be allocated by free market forces, within a total credit volume that is held within reasonable limits by general credit restraints.

6. The high level of auto sales in 1955, and the parallel high level of credit extensions, was caused by a combination of factors--the introduction of exceptionally attractive models, rising incomes, and increasingly liberal credit terms--that is not likely to recur. A further extensive liberalization of terms is unlikely because credit terms have now been extended close to the limits of risk exposure that can be tolerated by lenders, and close to the point that borrowers are likely to accept.

7. There is no need for control of instalment credit terms at this time and no future need can be seen at this time. A request for such controls would tend to depress further an already depressed automotive industry.

8. Recommendation: The Administration should not at this time request stand-by authority to impose regulations on instalment credit terms.

* * * * * * * * * * *

Background Statement

The use of consumer instalment credit has made it possible for our economy to expand more rapidly than would otherwise be possible and enabled American families to achieve higher levels of living. Moreover, it is a basic principle of this Administration that these levels of living will rise most rapidly if market forces are allowed to work themselves out with a minimum of interference from government. The major question, then, is whether the use of consumer instalment credit may be expected periodically to surge ahead so rapidly as to justify special restraints, imposed in the interest of minimizing economic instability.

I. Is Consumer Instalment Credit a Destabilizing Factor in our Economy?

Clearly, stand-by authority to regulate the terms on which consumer instalment credit may be extended cannot be justified except on evidence that this type of credit has exerted a significantly destabilizing influence on our economy, and is likely to do so again in the future. What does the record show with regard to these questions?

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It is quite clear from the record that existing instruments of credit control, provided they are used with sufficient determination, can hold an expansion in total bank credit and the money supply within desired limits. Further, there is some evidence that these over-all credit restraints reach through to the consumer lending institutions and to the consumers' use of instalment credit, though it takes some time for their impact to be felt. The Federal Reserve study shows the following: (1) the extension of credit to sales finance companies by commercial banks was reduced sharply in the second half of 1955, and was still further moderated in the first half of 1956; (2) the cost of borrowing for sales finance companies, which had been reduced in 1953-54, rose substantially in 1955-56; (3) commercial banks tended during 1955 to restrict their direct participation in instalment lending, in some cases placing limits on the expansion of their own consumer loans and seeking new dealer accounts less vigorously; and (4) whereas the terms of instalment credits were substantially liberalized up to mid-1955, this trend was largely checked by midyear. All these things suggest that this particular type of credit is reached by general credit controls.

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This may prove to be the case in some future situation, but the events of 1956 and the first few months of 1957 make it quite clear that the policy of general credit restraint did eventually limit further extensions of consumer instalment credit, and that our economy survived the 1955 surge of automobile buying and instalment credit extension without experiencing serious over-all instability. At least, it is now clear that the liberalization of consumer instalment credit terms came virtually to an end by mid-1956, and while auto buying receded sharply in 1956, business expenditures on plant and equipment increased to fill the gap. In retrospect it might have been well to have taken sales of, say, a million cars from 1955 and spread them over 1956 and 1957, but no one can be certain that it would have been possible to carry things out quite that way. In short, considering the period as a whole, it is not clear that the use of such controls would have contributed greatly to the stability and vitality of our economy.

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The immediate outlook for the use of credit in auto sales, or in sales of other consumer durable goods, does not suggest that selective controls over these areas of credit use will be needed in the calculable future. On this point, the Federal Reserve study concludes that ". . . liberalization in credit terms may have approached the limits of risk exposure tolerable to lenders," and its survey of auto financing showed that many instalment buyers would prefer, in their next credit purchase, to purchase their car on a contract of shorter length. It also concludes that the 1955 surge of auto buying was caused by a combination of circumstances --attractive model changes, rising incomes, and increasingly liberal credit terms--not likely to occur again and that a ". . . closer balance would ordinarily be expected between stimulating and retarding factors."

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Conclusions and Recommendation

These considerations lead to the conclusion that stand-by authority to regulate consumer instalment credit terms should not be requested at this time. This is, of course, without prejudice to the possible desirability of requesting such legislation sometime in the future.

IMMEDIATE RELEASE May 25, 1957

James C. Hagerty, Press Secretary to the President

THE WHITE HOUSE

The President will not ask the Congress to enact legislation creating a Presidential stand-by authority to regulate consumer instalment credit.

The possible need for such legislation was discussed in the Economic Report of the President for January 1956. It was stated in the 1956 Economic Report (P. 94) that "Although present conditions do not call for the use of . . . authority to regulate the terms of instalment credit, this is a good time for the Congress and the Executive Branch to study the problem."

At the request of the President, the Board of Governors of the Federal Reserve System has since conducted and made public an extensive survey and analysis of the subject. These and other materials were carefully examined by the Council of Economic Advisers and other agencies of the Executive Branch.

In reporting its findings based on thestudy and Board discussion, the Board of Governors stated that "a special Presidential authority to regulate consumer instalment credit is not now advisable." The Board further stated that in its judgment "the broad public interest is better served if potentially unstabilizing credit developments are restrained by the use of general monetary measures and the application of sound public and private fiscal policies."

The President indicated his agreement with the conclusion reached by the Federal Reserve Board. In this connection he released the following summary of a memorandum from the Council of Economic Advisers.

> "First, fluctuations in consumer instalment credit have tended to accentuate swings in general business conditions, though movements in this type of credit have usually accounted for a relatively moderate proportion of overall changes in credit.
>
> "Second, the losses involved in extending consumer instalment credit, even in periods of economic contraction, have not been large enough seriously to affect the financial position of lending institutions.
>
> "Third, the growth of consumer instalment credit at a rate considerably more rapid than the rise in personal incomes mainly reflects the fact that a greater proportion of middle-income families are using this type of credit rather than that instalment debt has grown relative to the incomes of indebted families.

more

"Fourth, recent experience confirms confidence in the capacity of existing instruments of general credit control to hold changes in total bank credit and the money supply within appropriate limits. Although there is an apparent lag between changes in general credit conditions and changes in the cost and availability of instalment credit, there is evidence that general credit controls do reach consumer lending institutions and the use by consumers of instalment credit.

"Fifth, the large expansion in the use of consumer instalment credit in 1955 was in response to a cluster of powerfully favorable circumstances not likely to recur in the same combination. Prominent among these circumstances was a marked liberalization of credit terms. It is likely, however, that consumer and lender resistance will increasingly check further liberalization of downpayment and maturity terms in this credit area."

# # # # # # #

The [illegible] Library

Bragdon's presentation Cabinet 5/24/57

As Delivered 24 May

May 23, 1957

Mr. President, members of the Cabinet, it has been said many times that the most important problem in the United States today is water. I'm sure it is so in the West. If not so now in the East, it will be the number one problem there, too, tomorrow.

The origin of this proposal for a water rights study stems from a recommendation of the President's Advisory Committee on Water Resources Policy. It reads:

> "There has not been adequate consideration given to the proper respective relationships and responsibilities between the Federal Government and the States and private individuals with reference to water resources rights. It is believed that the principles which recognize water rights as property rights should be accepted. Determinations as to disposition of water should recognize such rights. A study should be made by the Federal Government in cooperation with State and local bodies to develop principles concerning water rights that would assure the most effective use of water to best meet the needs of the people -- national, regional, State and local."

Thus the recommendations today are directed at the implementation of that portion of the report.

I4

[The Problem - Chart I]

The problem may be more clearly understood if surveyed from two broad aspects as shown on the Chart I; that is, first, within States and regions, and second, from the point of view of Federal and State relationships.

I put the latter second because the emotional furor aroused over Federal vs. State water rights as a result of the recent Pelton Dam decision and consequent introduction of the Barrett Bill has tended to obscure the fact that the problem is urgent as a State or regional one.

II

[Growth of Water Use - Chart II]

[A. Within States and regions]

Illustrating the tremendous growth in water use, Chart II reveals a sixfold jump from 40 billion gallons daily in 1900 to 240 billion gallons daily in 1955, and in the next 20 years a new peak of 453 billion gallons per day. These rates of growth intensify the acuteness in the arid States where the problem is already acute. Note that irrigation was the largest use in 1900, whereas today industrial and irrigation are about equal (1955), while in 1975 industrial uses will outpace all others.

III

[Conflicts in Water Doctrine - Chart III]

There are two primary doctrines of water rights. In the 31 eastern States the riparian doctrine holds everywhere except in Mississippi; in 14 of the 17 western States, plus Mississippi, the doctrine of prior appropriation applies; while in California, Texas, and Nebraska both riparian and prior appropriation doctrines are used.

The riparian doctrine is based on common law. Landowners along streams are entitled to reasonable use of the water and the right to have the flow reasonably unimpaired. Under the doctrine of prior appropriation the first one who places water to beneficial use may establish a right thereto whether he is riparian or not, but his right only extends to the amount of use. Legal machinery for filing and perfecting rights by proof of use have been established, but there is wide variation in State laws for administration and ajudication of conflicting claims.

The economy of the West is largely built on the recognition of the right to use of water as a property right.

IV

/Uses of Water - Chart IV/

There is quite a variation in withdrawals for major consumptive uses in the riparian and appropriation States at present (1955).

Consumptive uses of water are those from which all the withdrawal is not returned to the stream.

The figures at the left indicate the percentage of total water withdrawn which is not returned to the stream. This is 31% for the United States.

In the riparian doctrine States where industrial uses predominate and take 93 billion gallons per day out of 110, only 6% of the total withdrawals is consumed. In the appropriation doctrine States where withdrawals for irrigation are 71 billion gallons per day out of 79 billion gallons, 55% of the water is not returned.

V

IV

[Conflicts between Uses of Water - Chart V]

The numerous conflicts between uses of water fall into two basic areas; first,

[Kinds of Use]

As to kinds of use, in the western States under State law, consumptive uses are given superiority over nonconsumptive, such as power. This was the major point at issue in the Columbia River Compact where upstream users wished the privilege of future depletions for consumptive uses irrespective of the effect on power downstream.

Consumptive needs are given a preference over fish and recreation, making it difficult for the United States to secure rights for these since many western States do not consider them beneficial uses.

A number of western States are becoming more industrialized. They will have to decide to what extent they wish or can permit industrial expansion to proceed in the face of the requirements of irrigation which originally made their habitation possible. Choice of industry is a partial answer but such choice must be planned far ahead.

Secondly we have,

[Place of Use]

As to place of use, upstream users are suspicious of downstream users and vice versa. Northern California counties want the doctrine of county of origin to be adopted whereby their future needs will be guaranteed by the State in its vast plan for transporting water to the dry southern counties.

The downstream users in Texas complain that the widespread use of many small upstream dams to hold water on the lands increases losses by evaporation, thus reducing the flow to downstream areas.

[Preferential Systems vs. Priority Systems]

Most western States give preference to the uses of water usually in the order of domestic, stock, irrigation, industrial, and power. Their priority system of "first-in-time-to-file-and-put-to-use" lacks flexibility in that if conditions change and another use becomes more important to their economic growth, the older use holders with senior rights could by pre-emption well block the granting of rights for new higher use.

[Interstate vs. Intrastate]

Practices suitable for intrastate streams are not necessarily applicable to interstate streams, particularly where the objectives of States concerned differ or where there is a Federal interest.

Within the last two weeks, a leading publication stated - "Each week reports of proposed water schemes add further evidence that the United States is heading toward the biggest water resources construction boom in its history.

* * * *

However, beclouding the whole picture is the underlying problem of water rights and priorities.

A survey of water rights laws in the 48 States conducted by Engineering News-Record indicates that almost every State needs to enact, clarify, or revise its water laws. States report that rights laws are obscure, resulting in inordinate court action."

* * * *

Up to now there has been little long-range planning by States and regions on the basis of analyses of the relationships between water use allocations and future economic growth. These analyses should first be made and on a nonlegal basis to give the background for appropriate statutory law and water doctrine. Mere "first come, first served," while it was suitable in frontier days, and may remain best in some regions for a long time to come, may not always be to the best long-range interests of the communities.

VI

I. Federal-State Relationships - Chart VI

The second major aspect of the problem, that of Federal-State Relationships, has been generally manifested in legal controversies.

The Supreme Court decision in the Pelton Dam case in Oregon was that the Federal Power Commission had the authority to issue a license even though compliance with State law had not been obtained, based on the fact that the dam was on a Federal reservation. Thirty-five percent of the area of the western States is public domain and 54% of this public domain are Federal reservations and a large part of these are in the mountains whence comes most of the waters. State lawyers asserted that Federal control over waters from Federal reservations would make water rights granted under State laws insecure and threaten their whole appropriation system.

The Barrett Bill was introduced because of this. It is still pending. There have been over 1,000 pages of hearings and over half of the Senators from the 17 western States, many Congressmen and State engineers have appeared.

[What the States Want]

Briefly, what the States want, as shown on the Chart VI, are included in this bill; namely, (1) State laws to govern in the establishment of rights to the use of water; (2) United States officials to comply with State laws in the construction and operation of Federal water development projects and other Federal activities; and (3) unappropriated waters from Federal reserved public lands to be subject to appropriation under State laws.

[What the United States Wants]

On the other hand, the United States wants Federal law, whether the Constitution or statutes, to govern in the execution of Federal projects and on Federal reservations where necessary to accomplish the purposes of the reservation or projects or to protect Federal interests.

These wants appear reasonable from the standpoint of the respective interested parties.

Congress over the last 90 years has indicated in many important laws, such as the Desert Lands Act of 1877, the Reclamation Act of 1902, the Federal Power Act of 1920, that it wants State laws complied with.

The Department of Justice knowing of Congress' desires has taken action only when necessary to enable a Federal agency to carry out its functions under other Congressional Acts directing the execution of work.

VII

[What States Fear - Chart VII]

What then do the States fear in the present situation?

First, if the United States should exercise a paramount right, it might deprive a State of use of water for State preference purposes. In the Hawthorne, Nevada case, the State has brought a complaint against the United States Navy for failure to file for licenses for underground wells. It asserts that uncontrolled withdrawals of ground water by the military may jeopardize meeting of local needs and prevent expansion of the economy of the area.

Second, the States fear that rights which have become vested under State appropriation doctrine may be invalidated or subordinated to Federal use. The city of Denver built a tunnel to secure water for its municipal water supply, water to come from lands withdrawn by the Government for a large government project. The date of Federal withdrawal was many years prior to the filing for appropriative rights granted Denver by State law. In the suit that followed, the Department of Justice sought to establish the superiority of United States rights over State rights. However, the Federal Government withdrew its claims, as a matter of comity, in order to cooperate with Denver in its municipal water supply.

Third, the States fear they will be deprived of water originating on reserved public lands. The recent Pelton Dam decision greatly stirred up

State officials throughout the West with exaggerated possible interpretations that no rights to use of water can be secure which have been granted by State law for waters running from or over Federal reservations.

VIII

[What the United States Fears - Chart VIII]

Turning now to the point of view of the Federal Government, it fears compliance with State laws would prevent or delay construction of urgently needed Federal projects authorized by Congress.

Under Arizona law, written approval of plans and specifications by the State engineer is required for the construction of a dam across any Arizona stream including boundary streams. This law was invoked in an attempt to prevent the construction of Hoover Dam, resulting in a Supreme Court case.

In another case where State laws required filing for water rights before State Courts, filings in 12 separate Court jurisdictions in the watershed affected were needed.

Second, the United States fears that full compliance with State laws would mean control of Federal operations by State engineers. Very often dams have been built to operate as a system throughout a number of States. The 98th meridian cuts the Missouri River basin. To the west thereof State prior appropriation doctrine applies; to the east riparian doctrine applies. Yet the great dams on this stream must be operated as an integral system for flood control, navigation, irrigation, power, and other uses. Operation under State laws and interpretation thereof by State engineers would be chaotic.

Third, there might be an interpretation that the water now stored in Federal dams may be appropriated under State law, if all waters, navigable and nonnavigable, are reserved for appropriation under State law.

The Boulder Canyon Project Act provided that no one should have the use for any purpose of waters stored by the Hoover Dam except by contract with the Secretary of the Interior. If State laws were to be universally applied, under whose laws would the right to use these waters be controlled?

In addition, there are also the problems of nonrecognition of Federal purposes as beneficial, of possible loss of vested United States rights, and apprehension that the Federal Government might be prevented from securing water needed for a defense installation. In the case of a large Marine reservation, State authorities sought to limit the United States in its use of waters of the Santa Margarita River which the United States considered to be subject to a paramount Federal right.

The Barrett Bill will not solve these problems since the Constitutional rights of the United States will continue to exist whether or not a new law is passed.

In this maze of varying laws, practices, economic conditions, water supply and demand quantities, a continued piecemeal approach will only add to chaos. A coordinated attack on the problem must be made by all forces which will benefit from a resolution of the conflicts involved. The President's Advisory Committee, recognizing this, pointed the way in its proposal.

IX

[Actions Directed at Solution of Problem - Chart IX]

Consequently, the actions toward a solution are:

A. Within States, basins, and regions.

As the first step, there must be formulated principles for determining the best system for water rights and uses. In general they should be non-legal but practical of application. They must be broad but sufficiently uniform to avoid the unnecessary deviations, conflicts, and inconsistencies now existing and, at the same time, have flexibility to meet future economic patterns of development of individual regions or States. They should be worked out under Federal leadership by a committee representative of the Federal agencies and local communities. These principles must be acceptable to local people so that as the next step they can be incorporated into long-range plans and State laws.

B. In the field of Federal and State relationships.

The Dwight
Eisenhower Library

Here the fundamental approach is to recognize that the present dual authority of our American system, namely, that of Federal constitution and laws and that of the States, both sovereign, will continue to exist, and that legislation to make one superior to the other is futile. The problem also transcends differences in legal opinions and interpretations of laws. Thus, the actions here are:

As the initial step, the determination of the principles of cooperation under dual authority of the United States and of the States, followed by a promulgation of Federal water resource principles with respect to water rights and use and their application in the development of long-range plans and in the administration of Federal activities.

/Establishment of a Committee to Conduct Study7

After numerous conferences with the Federal agencies, unanimous agreement was reached that the study proposed here today should proceed. Many groups outside the government advocate it.

A draft Executive Order establishing a committee and outlining its task has been prepared and reviewed by these agencies.

X

/Composition of Committee - Chart X7

The Committee is to be known as the President's Committee on Water Rights and Use and would consist of seven non-Federal members, seven Federal members and a chairman from outside government, appointed by and representing the President. The Committee would render an interim report by January 1, 1958, and a final report by ~~October 31~~ ~~Nov 30~~, 1958. Dec 31

Per SA mg

/Recommendation7

Mr. President, I recommend that the Cabinet concur in and you approve the establishment, by Executive Order, of a President's Committee on Water Rights and Use as described and as specifically set forth in the draft Executive Order which is attached to the paper before you.

Approved

CP - 57-68

May 20, 1957

The White House

Washington

THE CABINET

Proposal for the Establishment of a
President's Committee on Water Rights and Use

For consideration by the Cabinet, attached is a paper and a draft Executive Order, prepared by Maj. Gen. John S. Bragdon, USA (Ret.), Special Assistant to the President, in consultation with the interested Departments.

The paper itself refers to the origin of the current proposal (in the Report of the Presidential Advisory Committee on Water Resources Policy, CP - 28/3 of January 17, 1956), sets forth and analyzes the problem of water rights, gives the arguments for establishing a Presidential study committee, and describes how such a Committee would function.

As an attachment to this paper, and to be considered as an integral part of it, there is submitted a draft Executive Order. This Executive Order would be the instrument for establishing the President's Committee and for defining its purpose, composition, terms of reference and modus operandi.

The draft Executive Order has already received the general concurrence of the interested Departments.

The concurrence of the Cabinet and the approval of the President are sought for the Recommendation made in the attached paper.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only CP - 57-68

May 20, 1957

The White House

Washington

THE CABINET

Proposal for the Establishment of a President's Committee on Water Rights and Use

I. Origin of Proposal

The Presidential Advisory Committee on Water Resources Policy in its report which the President transmitted to the Congress on January 17, 1956, found that:

> "There has not been adequate consideration given to the proper respective relationships and responsibilities between the Federal Government and the States and private individuals with reference to water resources rights. It is believed that the principles which recognize water rights as property rights should be accepted. Determinations as to disposition of water should recognize such rights. A study should be made by the Federal Government in cooperation with State and local bodies to develop principles concerning water rights that would assure the most effective use of water to best meet the needs of the people -- national, regional, State and local."

The recommendations of this report are directed at the implementation of this proposal.

II. The Problem

The sound, progressive, national use, conservation and development of our water resources through cooperative and harmonious efforts of Federal, State, and local governments, together with private citizens, is one of the main foundations for continued expansion of our Nation's industry and productivity, for strengthening of our economic security, and for maintaining and improving our standard of living.

Uses of water are catapulting and shortages are increasing. To meet these demands, the United States is headed toward the biggest water resources construction program in history, but, as the experts agree, the whole picture is beclouded by the underlying problem of conflicting claims as to water rights and uses.

The problem lies in two main fields - those arising within the State and local areas in connection with their own administration, development and use of water, and those which stem from the confused relationship between Federal and State rights in the construction and operation of projects and in other activities dealing with water.

Within the first category, the problems and conflicts are aggravated by the growth in water use with a ceiling on supply. Demands can be met only by avoidance of waste, better conservation, reduced pollution, improved treatment and resolution of issues as to dominant rights. Questions arise as to what the highest ultimate use of water will be in any particular region for the best interest of all the people. Another facet of the problems which arise within the States is the differences in doctrine followed in water jurisprudence and the diversified emphases on water uses which exists in the various areas because of their prevailing economic activity.

The second category, Federal, State relationships, has two major elements. They center around, first, the pressures for enactment of Federal legislation which would require operation of Federal projects, and the conduct of all Federal activities with respect to water, to be subject to State law, and second, the difficulties which arise in exercising Federal constitutional and legal rights to use of water which conflict with State law.

A. In States and regions

(1) Growth in water use

The uses of water have grown from 40 billion gallons per day in 1900 to 240 billion gallons per day in 1955, a sixfold increase. Estimates indicate that demands in 1975 will exceed 453 billion gallons per day, nearly double the present use.

Population more than doubled between 1900-1955. The Bureau of the Census estimates it will increase another third by 1975.

The proportion of water used in industry showed an overall increase from 38% of all withdrawals in 1900 to 46% in 1955, while the proportion used for public and domestic supplies decreased and the proportion for irrigation remained about the same. In the next 20 years the proportion of total withdrawals used by industry is expected to continue to increase, while the segment for irrigation will probably decline. The proportion used for public supplies is expected to remain about the same.

Per capita use of water increased nearly threefold during the period 1900 to 1955, or from 526 to 1460 gallons a day. By the year 1975, it is expected to increase by another third to 2001 gallons per day.

The increased demands and competition for water have lead to proposals for interbasin diversion, greater movement toward interstate compacts for the allocation and establishment of priority of uses of water and more complex projects and programs for its development, and accentuated the need for crystalization of principles to be applied in determining water rights and use.

(2) Conflicts in water doctrine

Riparian vs. Appropriation

There is a lack of uniformity of approach to water rights and use by various States. One is the difference in doctrine.

In the eastern portion of the United States in early American history, the inevitable conflicts between community and individual rights to use of water were settled for the most part by the application of the English doctrine of riparian rights which were based on common law. This doctrine holds that the owner of land contiguous to a stream has a right to the reasonable use of the water of the stream for his own purposes and the right to have the stream flow past his land reasonably unimpaired by upstream land owners. It did not give him the right to withdraw water from the stream for use or sale in connection with operations off his own property. This doctrine is still generally recognized in 30 of the 31 eastern States and to some degree in a few of the western States although frequently altered to meet local requirements. Riparian rights to water have long been considered valuable appurtenances to property.

As the development of the country moved westward, new conditions developed to which the doctrine of riparian rights was not suitable. The arid and semiarid climates of the more western States made it necessary to store and transport water over considerable distances to meet domestic, agricultural, mining, and industrial needs, particularly during the dry seasons. The rule evolved that the one who first utilized the water for beneficial purposes was entitled to protection of the right of continued use whether or not the water was appurtenant to land adjacent to a stream. This doctrine resulted in the establishment of valid property rights to water through beneficial and productive use. The economy of the western States is largely built on the recognition of the right to use of water as a property right.

Mississippi enacted legislation during the past year adopting the appropriation system in replacement of the riparian system. States using a mixed doctrine include California, Texas, and Nebraska.

Variation in Major Uses

Considering the United States as a whole, the withdrawals for the major purposes of irrigation and industrial use at the present time are approximately equal. Consumptive uses of water range from a few percent for domestic and industrial purposes to almost 70 percent for irrigation. The average consumptive use for the entire United States is 31 percent.

In the eastern section of the Nation where the riparian doctrine is prevalent most of the water is used for industrial purposes -- 93 million gallons per day out of a total withdrawal of 110 bgd. Irrigation takes only about three bgd. Because of the large percentage of the total withdrawal used for industrial processing, only six percent of the water withdrawn is not returned to stream flow. On the other hand, in the States where the appropriation doctrine is dominant, most of the water is used for irrigation -- 71 bgd out of a total of 79 bgd. An average of only one-third of the water withdrawn in these States is returned to the stream. In this connection it is interesting to note that the Council of State Governments in a recent publication on State Administration of Water Resources quotes the Bureau of Reclamation to the effect that the total quantity of water that can be made available for withdrawal in the seventeen western States is 120 billion gallons per day and that, according to present trends, about 110 bgd of the usable supply will eventually be devoted to irrigation, leaving little additional water available for expansion of industrial and domestic uses. While this estimate of eventual total supply is believed to be low, the comparison indicates a continued high percentage of use of water for irrigation.

In the mixed doctrine States, irrigation is also the largest user of water although not so large a percentage as in the appropriation doctrine States. In the mixed doctrine States, irrigation uses some 36 bgd out of a total of 51 bgd. The percentage of consumptive use in these States is 45 percent.

(3) Conflicts between uses of water

(a) Kinds of use

In addition to the questions raised by increases in use of water and the divergent and sometimes conflicting approaches to acquisition of rights to use water, there arise problems involving the competition between uses of water both as to purpose and as to location. There is the continual conflict between those who wish to use the water resource for development of hydro-electric power or navigation and those who strongly prefer fisheries and recreation or more beneficial consumptive uses, and those who desire to use the available water supply for industrial purposes rather than for irrigation.

(b) Place of use

There are those who believe that extensive small upstream dams will reduce flows to the detriment of what they seriously think are more urgent downstream needs. On the other hand, there are groups who advance the proposition that the water should be utilized to the maximum extent at the nearest point to where the precipitation falls, including those who support the county or basin of origin theory. Some oppose any transbasin diversions of any kind.

(c) Preferential systems vs. priority systems

The conflict between preferential use systems and priority use systems is difficult to resolve. In some of the appropriation doctrine States, first in time is first in right regardless of importance of use. This makes for inflexibility. The future best development of the State or region may demand that a different use have preference. Hence, principles for determining the situations where such rights must needs give way to higher uses of water are necessary. Procedures are required to establish bases for allocations of water within available resources and to fit them into long-range plans so that there will be some assurance that water will be available to meet future requirements.

(d) Interstate vs. Intrastate streams

Practices suitable for intrastate streams are not necessarily applicable to interstate streams, particularly where the objectives of various States concerned differ or where there is a Federal interest.

(e) Navigable vs. Nonnavigable streams

Another example of the need for reaching understandings as to what arrangements will produce the best development and use of water is the question involved in navigable waters vs. nonnavigable waters, including the problem of providing suitable bridge clearances which will reasonably meet the needs of all competing interests.

The above, while far from all inclusive, are indicative of the breadth of the problem.

Although considerable water resources development has taken place in the United States and extensive broad studies conducted of the relationship of benefits to costs and of methods of allocating costs between the various purposes served by such projects, little has been yet accomplished to analyze questions of the interrelationships between water allocation and water development. Because these questions of technique, policy, principle, and procedure concerning the rights and uses of water have not been adequately resolved at a non-legal level, there is a sparsity of concept to give body to uniformly applicable water law such as, for instance, exists with respect to public utilities law. The approach to current water rights and use problems involves, therefore, much more fundamental study before an adequate basis exists for establishing a satisfactory background for judicial decision and for enactment of statutory law.

B. Federal-State relationships

There has been a great furor in the western States as a result of the recent Pelton Dam case decision. The Supreme Court held that the Federal Power Commission could issue a permit, without requiring the applicant to comply with State law, if the dam was on a Federal reservation. The Barrett Bill (S-863) now under consideration by the Congress followed in the wake of this decision. It would reserve all unappropriated waters for appropriation under State laws and require Federal officials to comply therewith. Eighteen of the Senators from the 17 western States have appeared in support of this bill. The hearings cover 1,000 pages.

(1) Conflict between administration of Federal projects and activities and State laws

The conflict between Federal and State laws is placed as the second basic reason for this study because of this furor and because even if there were no legal entanglements between Federal and State law, the study would be imperative by reason of natural growth and resultant water shortages, as brought out earlier.

To place the subject in proper perspective, it may clarify the situation to consider, first, what the two parties want. The western States want, first, State laws to govern in the establishment of water rights; second, United States officials to comply with State laws in the use of any water for any purpose in connection with Federal projects, programs, activities, licenses or permits; and, third, rights to use of water from public lands, reserved by the United States, except where vested rights exists, to be subject to appropriation under State law.

(2) Constitution and Federal laws vs. State laws

The United States wants Federal law, whether the Constitution or Statutes, to govern in the execution of Federal projects and on Federal reservations, where necessary to accomplish the purposes of the projects or to protect Federal interests.

These purposes appear irreproachable from the standpoint of the respective interested parties. Hence, wherein do the conflicts arise? What stirs up the apprehension of western water lawyers and State officials and of the Department of Justice?

What States fear

The States fear that if the United States exercises its asserted paramount rights, the States will be deprived of water for consumptive beneficial uses - domestic, municipal water supply, irrigation, and other preference uses. Since the United States owns over 50% of the land in many western States, if it should claim rights to all water on public lands or on reservations, or for a use not recognized by States as beneficial, State laws aimed at conserving water for State declared preference uses might fail because there would not be enough water to meet such needs. In the Hawthorne, Nevada, case the State has brought a complaint against the United States for failure to file for licenses for underground wells. It asserts that uncontrolled withdrawals of ground water by the military will jeopardize meeting of civilian needs and prevent expansion of the economy of the State.

Second, the States fear that rights which have become vested under State appropriation doctrine may be invalidated or subordinated to Federal use. The city of Denver built a tunnel to secure water for its municipal water supply, water to come from lands withdrawn by the Government for a large government project. The date of Federal withdrawal was many years prior to the appropriative rights granted Denver by State law. In the suit that followed, the Department of Justice sought to establish the superiority of United States rights over State rights. However, the Federal Government withdrew its claims, as a matter of comity, in order to cooperate with Denver in its municipal water supply.

This example illustrates two points. State officials refer to it as an example of the insecurity of their rights to use water for consumptive purposes against the assertion of Federal rights. The Federal Government refers to it as a practical example of compromise in the application of dual authority.

Third, the States fear they will be deprived of water originating on reserved public lands. The recent Pelton Dam decision greatly stirred up State officials throughout the West with exaggerated possible interpretations that no rights to use of water can be secure which have been granted by State law for waters running from or over Federal reservations.

What the United States fears

Turning now to the point of view of the Federal Government, it fears compliance with State laws would prevent or delay construction of urgently needed Federal projects authorized by Congress.

Under Arizona law, written approval of plans by the State was required for the construction of a dam across any Arizona stream including boundary streams. This law was used by Arizona in attempts to prevent the construction of Hoover Dam. The Supreme Court decided that the Federal Government had the right to build the dam without conforming to the police regulation of a State. Similarly it decided, with respect to Parker Dam, that the authorizing Act of Congress was sufficient and it too was built without compliance with State law.

In another case where State laws required filing for water rights before State Courts, filings in 12 separate State Court jurisdictions in the watershed affected were needed.

Second, the United States fears that full compliance with State laws would mean control of Federal operations by State engineers. Very often dams have been built to operate as a system throughout a number of States. Inevitable conflicts would result between such operation and the requirements of individual State engineers to meet the demands of the appropriated rights granted in his State. Furthermore, in such cases as the Hoover Dam, there exist contracts with such large cities as Los Angeles for water supply which must be met through the operation of the Hoover Dam. The operation of the Missouri River System, Fort Peck, Oahe Garrison, Fort Randall dams must be as an integrated system, and not to meet the specific desires of the individual States.

Third, there might be an interpretation that the water now stored in Federal dams may be appropriated under State law, if all waters, navigable and nonnavigable, are reserved for appropriation under State law. This might be interpreted as opening up for appropriation the waters stored in the great dams already mentioned, plus the Parker, Davis, Friant, Shasta, Elephant Butte Dams, and those of the Columbia River System, Grand Coulee, Chief Joseph, John Day, Albeni Falls, Bonneville, and others, which are part of an integrated system, without regard to the purposes of the projects and their authorizing legislation.

Fourth, there are many Federal uses not recognized for "beneficial" purposes under the present laws of the western States. This includes navigation, recreation, conservation of fish and wildlife, and military purposes. "Beneficial" uses are given priority in western States. The Department of Justice has a large number of cases dealing with assertions by the U.S. of Federal right to use not based on State law, against a right claimed under State law.

Fifth, the Federal Government fears that it will lose its vested rights if it has to operate under State laws. In one case where the Federal Government tried to comply with the State laws by filing, State officials ruled that by its act of filing the Federal Government waived whatever rights it did have, and further stated that its certificate of right when issued would be subject to later subordination by the State to a superior right of someone else. In another case, after initial filing by the United States, it was necessary to secure extensions before actual beneficial use could begin. When the United States sought later to perfect its right under State law it was denied.

A sixth apprehension of the Federal Government is that it might be prevented from securing water needed for a military installation. In the case of Camp Pendleton, a large Marine reservation acquired during the last War, State authorities sought to prevent the United States from using waters of the Santa Margarita River which it considered to be subject to a paramount Federal right.

The Barrett Bill attempts to solve this whole matter by declaring that all navigable and nonnavigable waters within the States are subject to appropriation by the States under State laws, excepting existing vested rights, and that Federal officials shall comply with State laws. The rights of the United States in all these matters rest upon the commerce clause, the property clause, the compact clause, and the supremacy clause of the Constitution. These fundamentals will continue to exist whether or not a new law is passed.

III. Actions directed at solution of Problem

What then are appropriate actions toward the solution of the problem? It has been seen that the present confused situation is due to two main causes; first, the varying needs of different sections of the Nation and the inadequacy of the divergent systems of laws and practices in the control and use of water; second, the problems which arise from the dual authority of the United States and of the States in the control and use of water.

Consequently, the actions toward a solution should be:

A. Within States, basins, and regions:

(1) As the first step, to work out the principles for determination of the optimum system of water rights and use and regulations for the control, use, and distribution of water to best meet their individual conditions, present and prospective. This must be done largely by representatives of these communities themselves, aided by the Federal Government.

(2) As the next step in this phase of the study to incorporate into State laws and practices and long-range plans such provisions as will carry out these principles. This step would be solely for the States to implement.

B. In the field of Federal and State relationships:

Here the fundamental approach is to recognize that the present dual authority of our American system, namely, that of Federal constitution and laws and that of the States, both sovereign, will continue to exist, and that legislation to make one superior to the other is futile. The problem also transcends differences in legal opinions and interpretations of laws. The actions are:

(1) As the first step, the determination of the principles of cooperation under dual authority of the U.S. and of the States.

(2) This should be followed by a promulgation of Federal water resource principles with respect to water rights and use and their application in the development of long-range plans and in the administration of Federal activities.

IV. Establishment of Committee to conduct Study

What is proposed is an Executive Order, draft of which is submitted herewith, establishing a committee to carry out the first steps mentioned above.

It would determine

(A) The relationships between property rights to the use of water, surface and ground, and the optimum economic development of the Nation's water resources, and

(B) the basic principles relating to rights to the use of water which must be recognized by the Federal Government and the States to assure the best and most effective use and control of water that would encourage maximum participation by all parties of interest.

As a result of meetings held with the Federal agencies, unanimous agreement was reached that the proposed study should proceed. A draft Executive Order establishing a Committee to conduct the study and outlining its duties has been prepared and reviewed by these agencies.

A. Composition

The Committee would be known as the President's Committee on Water Rights and Use. It would consist of a Chairman representing the White House who would be selected from outside the Government and appointed by the President, a representative from each of the Departments of Defense, Agriculture, Interior, Justice, Commerce, and Health, Education, and Welfare and of the Federal Power Commission, designated by the Head of the Department or Agency, together with seven non-Federal members to be appointed by the President. The non-Federal members would be selected with the objective of obtaining the broadest possible representation from the several sections of the Nation considering the geography, applicable law relating to water rights, and problems on water use.

Each agency is submitting a list of names of individuals recommended for membership on the Committee and for Chairman. When general agreement is reached as to the non-Federal membership of the Committee, the recommendations will be submitted to the Assistant to the President and the President for approval.

B. Financing

Financing and staff for the Committee would be provided by the White House Office and the Departments of Defense, Interior, Agriculture, Commerce, and Health, Education, and Welfare. The White House Office would pay the salaries and expenses of the Chairman, who would probably be part time, the Executive Staff Director and his secretary. The Departments of Defense, Interior, Agriculture, Commerce, and Health, Education, and Welfare, would be expected to contribute $15,000 each to the cost of the study and provide the services of one man full-time. The Federal Power Commission and the Department of Justice would furnish staff on a part-time basis as required.

C. Timing

The Executive Order would provide that the Committee submit an interim report by January 1, 1958, and a final report by October 31, 1958.

D. Directions

It is essential that the Committee conduct the study on the premise that technical, legal problems need not necessarily preclude optimum economic development or complete utilization of our water resources. The draft Executive Order provides that the Committee shall attempt to devise practical solutions providing for the best comprehensive development to the extent possible within existing laws rather than attempting to devise changes in the legal bases for determining rights to the use of water. Where this is not feasible, it would be expected that the Committee would recommend principles and criteria for inclusion in present laws whether Federal, State, or local of proper provisions for achieving optimum economic development.

V. Recommendation

That the Cabinet concur in and the President approve the establishment, by Executive Order, of a President's Committee on Water Rights and Use, as described in Section IV above and specifically as set forth in the attached draft Executive Order.

VI. Implementation

If this proposal is approved, the attached draft Executive Order will be submitted to the Bureau of the Budget for technical clearance, including the Department of Justice, in accordance with established procedures.

ATTACHMENT TO
CP - 57-68

May 20, 1957

THE WHITE HOUSE

Executive Order No. _____________

Providing for the Establishment of the President's Committee on Water Rights and Use

WHEREAS, the sound, progressive use, conservation and development of our water resources through cooperative and harmonious efforts of Federal, State and local governments and private citizens constitute one of the main foundations for continued expansion of our nation's industry and productivity, strengthening of our economic and military security and for maintaining and improving our standard of living; and

WHEREAS, the increasing number and seriousness of the questions, misunderstandings, conflicts and controversies that are arising concerning rights to use of water, the adjudication of those rights, and the vesting of future rights which tend to impede, adversely influence, or prevent the undertaking of public and private projects and programs providing for optimum economic development of our water resources make it imperative that means for their resolution be found which are satisfactory to all parties of interest; and

WHEREAS, Federal and non-Federal investments for sound development that best meet the needs of the people in the area or region where the development occurs as well as of the nation must be secured and encouraged; and

WHEREAS, the President's Advisory Committee on Water Resources Policy, in its report dated December 22, 1955, recommended that a nationwide study be made under the leadership of the Federal Government in collaboration with the States and local entities with reference to the relationship between rights to use of water and the social and economic development of any area and the nation as a whole; and

WHEREAS, such a study and re-evaluation are necessary in determining how plans for development can best be formulated and executed that will provide for the fullest use of the water commensurate with the long-range interests of the people of the area where the development occurs as well as the nation:

NOW, THEREFORE, by virtue of the authority vested in me by the Constitution and statutes, and as President of the United States, it is ordered as follows:

1. There is hereby created the President's Committee on Water Rights and Use, hereinafter referred to as the Committee. The Committee shall be composed of (a) a representative of the White House Office who shall be designated by the President and who shall serve as Chairman of the Committee; (b) a representative of each of the Departments of Defense, Justice, the Interior, Agriculture, Commerce and Health, Education, and Welfare, and the Federal Power Commission, who shall be designated by the head of the respective department or agency; and (c) not more than seven non-Federal members who shall be appointed by the President.

2. The Committee shall make, or cause to be made, a study, nationwide in scope, of the proper respective relationships and responsibilities of the Federal Government, the States, and individuals for determining the uses of water, in order to ascertain

(a) the relationships between property rights to the use of water, surface and ground, and the economic and social development of the nation and its regions and of the States and their communities, and

(b) the basic principles relating to rights to the use of water which must be recognized by the Federal Government and the States to assure the best and most effective use and control of water to meet the current and the long-range needs of the people of a region, State, or locality, and of the nation as a whole, and that would encourage maximum participation by all parties of interest.

3. The Committee shall conduct the study on the premise that technical, legal problems need not necessarily preclude or prevent optimum economic development or complete utilization of our water resources, provided that basic principles and procedures for determining the priorities of rights needed to obtain the most beneficial development are clarified and also provided that equitable settlement through application of the principles of just compensation or other appropriate adjustment will be made where there has been an interference with existing rights. In other words, the Committee shall attempt to devise practical solutions providing for the best comprehensive developments to the extent possible within existing laws rather than attempting to devise changes in the legal bases for determining rights to the use of water, and where this is not feasible to recommend principles and criteria for inclusion in present laws whether Federal, State, or local, of proper provisions for procuring optimum economic development of water resources.

4. The Committee, in the conduct of the study, shall seek the fullest collaboration and assistance of State, local and private entities; the Committee is authorized to hold hearings and meet with State or local groups to obtain the broadest coverage of views on the subject which can reasonably be obtained.

5. The Committee shall not resort to voting for the resolution of conflicts, but shall instead, in the spirit of cooperation which underlies the President's Water Resources Policy, attempt to devise by agreement among its members, means by which conflicting views can be made compatible.

6. Officers and employees of executive departments and agencies of the Federal Government are authorized and directed to cooperate with the Committee in its work and to furnish the Committee such information and the services of such persons as the Committee may require in the performance of its duties.

7. Consonant with law, the White House Office, the Department of Defense, the Department of the Interior, the Department of Agriculture, the Department of Commerce, the Department of Health, Education, and Welfare and the Federal Power Commission shall, as may be necessary for the purpose of effectuating this order, furnish assistance to the Committee in accordance with section 214 of the act of May 3, 1945, 59 Stat. 134 (31 U.S.C. 691). Such assistance may include detailing employees to the Committee, one of whom may serve as its Executive Secretary, to perform such functions, consistent with the purposes of this order, as the Committee may assign to them. The assistance furnished the Committee by the Department of Justice shall be limited to the rendering of legal services.

8. The Director of the Bureau of the Budget is authorized and directed to make arrangements with the departments or agencies participating in the **study** for providing the Committee with necessary office space and to furnish the Committee, under such arrangements respecting financing as may be appropriate, necessary equipment, supplies, and services.

9. The Committee shall make a preliminary report to the President by January 1, 1958, and submit its final report by not later than October 31, 1958, including its recommendations for legislative, administrative, or other action both by the Federal Government and State and local governments.

10. Upon rendition of its final report to the President, and its acceptance by him, the Committee shall cease to exist unless otherwise determined by further Executive Order.

Dwight D. Eisenhower

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BH/C NLE Date 3-17-77

MINUTES OF CABINET MEETING

June 3, 1957
10:30 A. M. ---- 12:10 P. M.

The following were present:

President Eisenhower

Vice President Nixon
Deputy Under Sec. Robert Murphy
(for Sec. Dulles)
Sec. Humphrey
Sec. Wilson
Deputy Atty. Gen. Rogers
(for Mr. Brownell)
Deputy PMG Stans
(for Mr. Summerfield)
Sec. Seaton
Sec. Benson
Under Sec. James O'Connell
(for Sec. Mitchell)
Sec. Weeks
Under Sec. John A. Perkins
(for Sec. Folsom)

Director Brundage and
Mr. A. W. Jones
Deputy Director ODM Cooley
(for Mr. Gordon Gray)
Dr. Saulnier
Chrm. Ellsworth

Sec. Quarles
Mr. Floete, GSA
Mr. Hollister, ICA
Adm. Strauss, AEC

Gen. Persons
Mr. Rabb
Gen. Goodpaster
Mr. Shanley
Mr. Morgan
Gen. Cutler
Gov. Pyle
Mrs. Wheaton
Mr. Patterson
Mr. Minnich

Budget Policies, 1959 - 1962 -- The President introduced this one-item agenda by urging that the agencies make all possible effort to pay off current bills prior to the end of the fiscal year to the extent possible without incurring a deficit for the year.

The President then stated his major purpose of getting the budget cut to some point under $70 billion annually.

* * * *

In regard to atomic energy, the President said generally that program expansion seemed unnecessary except in regard to peaceful uses of

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E.O. 11652, Section 1
By BHC NLE, Date 3-17-77

atomic energy. He agreed with Adm. Strauss that the large increase for peaceful uses was in order. Adm. Strauss pointed out a second contemplated increase for weapons. The President would not immediately admit need for expanding this program since he thought it fully adequate to continue production at present rates. Adm. Strauss noted the newness of the effort on small weapons, as for air defense, of which great numbers are required.

The President ascertained that overtime wages were being paid only by AEC (for supervisory personnel at the plant under strike), Defense (on missiles), Post Office (Christmas mail), and Agriculture (forest fires). The President thought it might be time to stop payment of overtime on missiles programs.

* * * *

On budget trends generally, Mr. Brundage first pointed out that the Bureau would by June 30 transmit approved policies and planning figures to the agency heads for their guidance in preparing the detailed estimates due in September. He set as major objectives for the next four years (a) achievement of a surplus of receipts, (b) reduction of taxes, (c) debt reduction, and (d) better control of spending. He noted that the trend of expenditures in 1956-58 has been upwards and he asserted that even optimistic estimates of receipts barely provided for covering the increased expenditures. He noted further that if expenditures could be held at current levels, then even the pessimistic estimates on receipts indicated a budget surplus. To hold expenditures at $70 billion, he said, would require reduction of Defense Department personnel and procurement, holding the line on research and development, deferment of new programs, reappraisal of approved legislative programs, abandonment of some Administration programs, resistance to Congressional increases of appropriations, determined efforts to secure legislative reductions of appropriations, and generally a cutback of planned expenditures to the 1957 level.

Mr. Brundage circulated and recovered memoranda setting forth the consolidated departmental figures for FY 1959. He recognized that the agencies would require some time for studying them and that further Cabinet discussion could ensue. The President postponed detailed discussion of these figures until another week so they could be studied. He then asked for general comments.

* * * *

Defense Department fiscal problems were discussed at length by Sec. Wilson. He stated that he had held up $500 million of appropriations in the latter part of FY 1957, and he pointed out that further drastic measures would be required to return to the $38 billion level. He said

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he had asked the Service Secretaries to inform him about the actions necessary to return to that level. He stressed the adverse effect of inflation, since 80% of Defense obligations are subject to price increases during production. In answer to a query of the President, he pointed out the difficulty of attracting bidders on complex projects since it was expensive even to prepare a bid. He felt that excess profits recoveries provided protection whenever not much competitive bidding occurred.

Sec. Wilson expressed some doubts about the value of the proposal soon to be discussed in Congress for partial financing. He thought a better solution would be the "service obligation program" which would provide better control by 1958.

He felt that further progress could be made in management economies but that programs would have to be cut to secure major savings.

The President stressed the need for setting initially the goal of a $38 billion level even though it might be necessary to settle finally on $39 billion. He thought it quite possible for Defense to reduce military personnel by 300,000 since the resultant level would still be 2,500,000. Later, the President remarked on the unreality of the initial request of $48 billion by the Chiefs of Staff last year.

The President stated his desire to look at Defense spending on basic research -- which he had always thought to be primarily the responsibility of private institutions. Mr. Brundage said a summary would soon be ready.

* * * *

Sec. Benson asserted that additional legislation would be necessary before extensive reductions could be made, particularly with regard to CCC expenditures which cannot otherwise be controlled. He indicated that Agriculture was following up on the Sen. Ellender letter very vigorously but he could not be sure that legislation would be accomplished this session. He pointed out instances where Federal receipts are increased greatly by small expenditure increases, such as construction of forest roads which allows increased sale of timber rights. Mr. Benson noted that Congress would not act on Agriculture's request for reduced conservation payments.

* * * *

Sec. Humphrey noted the tendencies toward inflation which would inevitably cause Defense overruns. He felt that monetary measures would have to be supplemented by major reductions in Federal spending to stop inflation. This, he thought, would require redeployment of military forces and drastic limitation "in several lines". Among other things he emphasized the desirability of obtaining a sharper distinction between Federal and State activities. He realized much time would be required to effect

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necessary changes. Sec. Wilson thought that the labor situation rather than Federal expenditures was the principal force behind inflation, but Sec. Humphrey felt that Federal expenditures contributed heavily to labor's ability to demand wage increases. Sec. Wilson cited other contributory factors.

The President brought the discussion back from the philosophical level to the practical by emphasizing the need for accomplishing desired objectives by degrees and thus at least stopping the acceleration of Federal spending, fighting legislative increases in appropriations, and establishing desirable trends.

* * * *

Sec. Weeks commented on reductions accepted by the Commerce Department. The President thought the Administration should seek restoration of the Civil Aeronautics funds which were greatly needed. He suggested that perhaps the user charges for airport facilities could help more to carry the load.

Sec. Seaton noted the unapproved projects presently included in the public works bill. The President believed no new starts should be made until the projects were properly cleared.

Acting Sec. Perkins noted various aspects of HEW programs and the political controversies that arise over proposals for reductions in things like the school lunch program.

* * * *

The President concluded the discussion by reminding the Cabinet that the Administration had to be even more realistic about controlling expenditures in view of the huge national debt. Otherwise, he feared, more and more controls would have to be established so that the United States by degrees would be adopting a different economic system than has been traditional. In this connection, he noted Mr. Khrushchev's reference recently to the basic tenets of Leninism which predicted that capitalism would fail because of its internal conflicts. He thought that more attention must be paid even to the little things and particularly in military budgets where, he knew so well, money was often forced upon commanders. Following a reference to mutual security by Mr. Hollister, the President again expressed his belief that such expenditures repaid themselves many-fold and that the mutual security program was the great hope of the United States for the future.

LAM
L. A. Minnich, Jr.

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Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

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RA - 57-76

June 3, 1957

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the item presented at the Cabinet meeting of Monday, June 3, 1957:

1. The Federal Budget - Policies and Plans, 1959-1962

ACTION:

a) The President instructed the Director of the Bureau of the Budget to send to each Cabinet Member and major Agency Head a letter which, pursuant to the President's decision with respect to an overall FY 1959 objective, would establish a 1959 allowable for each agency.

b) The President requested that each recipient of this letter study the figure given him, try to go below it, and advise the Director of the Bureau of the Budget with reasons given in writing, if it is felt impossible to accommodate the agency's programs in any particular within the allowable established.

c) The President asked the Director of the Bureau of the Budget to put the results of this study into an integrated presentation for discussion and review at a Cabinet meeting in the near future.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

THE WHITE HOUSE
WASHINGTON

May 29, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Meeting on Monday morning, June 3, 1957

As you requested, a Cabinet meeting is scheduled to discuss the 1959 - 1962 budget projection, the presentation which Director Brundage and Mr. Jones gave you last Friday. (Since you will be away during the latter part of next week and since Mr. Brundage tells me it is urgent that the agencies see this presentation and get the FY 1959 planning underway promptly, Monday June 3 has been picked.)

As he did for you last Friday, Mr. Brundage will paint the picture of steadily rising expenditures. He will point out that if this Administration is to come anywhere near making a tax cut possible next year there will have to be a reverse in the steady upward trend of spending. He will then recommend a $70 billion ceiling for FY 1959 and the future, which must mean a downturn in actual defense and nondefense expenditures from the FY 1958 trends.

Mr. Brundage hopes that you would make it clear to the Cabinet that this is your thinking and you will state it as your policy.

This will be the only item on the agenda and the meeting will last approximately three-quarters of an hour more or less.

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

June 2, 1957

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CABINET PRESENTATION FOR

MONDAY, JUNE 3, 1957

Mr. President and Members of the Cabinet:

Today we are taking up for serious consideration the 1959 Budget and we must make some important policy decisions.

We have had a pretty difficult time explaining and justifying our 1958 Budget and now is the time to decide what we should do about the next one, and where we want to go for the next four years.

In going over last year's papers I find that in the presentation I made before the Cabinet on June 21, 1956, I said that preliminary agency estimates for 1958 expenditures amounted to $76 billion. This was subjected to rigid scrutiny and was reduced in our July 27th estimate to $71.5 billion. The final total $71,8 billion was very close. June is the time to set the pattern. The time table we have in mind is shown on this chart.

I still think the 1958 budget was a good budget -- a well balanced budget taking into consideration the albatrosses around our necks from prior Congressional actions, the large annuities and pensions we are paying for past services, the interest on the cost of past wars, plus the defenses against future attacks and the increasing needs of our growing nation.

The reaction of the public ~~was~~ however has been strongly adverse, largely because Federal expenditures were up and taxes were not cut. Our strongest supporters in the past could not understand how this could happen with such an avowedly economy minded administration. We have freely admitted that current taxes are too high for continued vigorous economic growth, and they think it is time we did something more about it. It is possible to set the guidelines for the 1959 budget at a lower level ~~now~~ right now when it may be impossible to reduce expenditures ~~later on~~ at a later date below what we determine now.

I presented to the Cabinet in February a preliminary forecast of expenditures for the next four years based on extending the actual curve

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of expenditures since 1955. It was quite apparent that the indicated annual increases would not receive general public support.

A new four-year forecast based on estimates just submitted by the agencies shows somewhat reduced expenditures, but increases are still projected much greater than seem likely to be approved by the Congress and the people.

At your suggestion, Mr. President, I am presenting for Cabinet consideration another approach. What are our fiscal objectives for the next four years? They certainly include these four points:

Chart #1

A revenue surplus.

Another tax cut.

Continued debt reduction.

These can only be obtained by controlled spending.

The controlled spending I am suggesting is not the hatchet approach of our opponents or the drastic percentage reduction demanded by Senator Byrd. It is instead a restriction on further increases, an emphasis on the right composition of our programs so as to open up the economy and create greater opportunities, larger ~~greater~~ future earnings and higher revenue surpluses, we should start to bury our ~~to start burying the~~ dead horses by administrative actions and legislation. Every Department has some of these situations to ~~to tackle and~~ do something about. Pensions to veterans for past services and public assistance payments are being re-examined -- also uneconomic subsidies that actually damage our economy and build up more problems and burdens for the future. We can also work more energetically on shifting to states and localities responsibilities that are rightfully theirs.

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* * * * * *

Chart #2

Looking back over the first four years of this administration, we can take considerable credit for:

1. Reducing spending from 1953 to 1955;
2. Cutting taxes in 1954;
3. Balancing the budget from 1956 on.

Chart #3

However, expenditures are now rising. You see the trend from 1955 on is upward. In fact, total Federal payments to the public are now rising faster than the gross national product. There were decreases in this line after 1953 but the line turned upward in 1955 and since 1956 is rising more rapidly than the gross national product. The 1958 line is based on the budget as submitted.

Chart #5

Total personal incomes are greater than ever before but the taxes taken by the Federal Government out of personal income have also risen both in amount and in percentage of income from 11.3 percent to 11.7 percent and now to 12 percent -- based on 1958 budget estimates. While this is natural with a highly graduated income tax; nevertheless, it means that the Federal take from individual incomes is increasing, which taxpayers are quite aware of and loudly complain about.

Federal personal income taxes in the current year and in fiscal 1958 are expected to be the highest in amount and in proportion to the Nation's

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personal income for any year in our history excepting only 1944 and that year's high total was due to the withholding of taxes for the first time which resulted in more than one year's tax collection.

What is more, inflationary pressures are still continuing. As you saw by the paper last week, the consumer's price index has risen to a new high, an increase of 3½% in the past 12 months. Government expenditures are inflationary even with a balanced budget. Are we supporting our tight money policy

Chart #6

In the next chart the orange bars show the new estimates of budget expenditures for 1959-1962 inclusive just received from the agencies. There are two estimates of receipts based on the same figures I presented in February, the light green being the most optimistic estimates (assuming no tax reductions and uninterrupted economic growth) and the darker green more realistic economic assumptions (with an interruption of about the same scale as that which occurred in fiscal 1954 but no tax reductions). You will see that the budget expenditures as presented by the agencies would exceed the realistic estimate of receipts in 1959 and 1960 and that even the most optimistic estimates of receipts would not allow sufficient leaway for a tax cut in those years. The dotted line shows the expenditure trends based on 1955 to 1958 figures.

Our current expenditures for fiscal 1957 are running substantially above our original 1957 budget submitted in January 1956 which was in total $65.9 billion ($65.1 billion without highways), and are also running larger than the revised estimates submitted in January of this year of $68.9 billion. However, our best estimates are that they will be less

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than $70 billion. If we strengthen our economy efforts, it should be possible to hold expenditures at current levels although it is quite clear that we cannot ~~could not~~ reduce our total expenditures much below the $70 billion level until some satisfactory agreement for arms limitation and inspection has been reached with Communist Russia.

There are four important factors which emphasize the need to hold expenditures at current levels:

1. An expenditure rise for the fourth successive year would undoubtedly cause as much, or even more, adverse public reaction than the 1958 Budget and might seriously damage the administration's general programs and our chances in the 1958 elections.

2. The Congress is likely to enact a tax cut next year whether or not our own budget provides for a cut. The last general tax reduction will have been four years ago and it has been partially offset for some individuals by the increases in social security taxes in January 1954 and January 1957, with another increase in social security taxes scheduled for January 1960.
3. Whether or not a recession occurs, it is elementary prudence to provide for that possibility. In spite of reduced revenue we would then undoubtedly decide to make some tax reductions to stimulate the economy.

4. We need some more flexibility than we have had this year for such actions as may be desirable. If the current inflationary trends continue to strengthen, we may find it desirable to provide for much higher debt reduction instead of tax reduction.

Chart #7

In view of the widespread and emphatic demand throughout the country for reduced expenditures, you instructed me, Mr. President, to make a presentation today as to what it would mean to the several departments and agencies if we hold the 1957 level of expenditures for our 1959 planning. Controlled spending is the only way in which we can possibly accomplish our fiscal objectives which I outlined earlier, namely, a revenue surplus, further tax cuts, and continued debt reduction.

Chart #8

The next chart summarizes what actions must be taken to accommodate ourselves to a continued -- $70 billion level of expenditures:

THE PRESIDENT'S 1959 OBJECTIVE

MEANS THAT WE MUST

1. REDUCE defense forces and procurement
2. HOLD defense and atomic research and development,
3. DEFER proposals for new programs
4. REAPPRAISE approved legislative program
5. GIVE UP some Administration proposals
6. RESIST legislative actions for increases
7. FIGHT FOR legislative actions for reductions - administratively approved
8. CUT BACK planned spending to 1957 levels

* * * * *

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Following your instructions, Mr. President, we have allocated to the departments a level of spending for 1959 that would be in line with the current 1957 expenditures but making allowance for essential adjustments and a very few new programs.

TABLES FOR 1957 AND 1959

The amounts by departments and agencies are as follows (exclusive of new legislation): These figures have not been discussed with any of the departments and perhaps you will be able to suggest even lower levels. I am having copies distributed since the figures on the chart are not ~~very~~ easy to read ~~large~~, but please do not take the copies away with you since they are only preliminary at this time. You will be officially advised after decisions have been reached here this morning of the figures for your department or agency. No additions have been made to agency figures for new or pending legislation. The 900 million provision must cover it.

You suggested, Mr. President, that after our discussion today and agreement on our general objectives, about a week would be allowed for agency study, for program analyses and for reclama. The results would then be presented again to the Cabinet before final decisions are reached.

I don't need to emphasize again how important the decision is that we are making today. Since December we have been trying to control expenditures by restricting employment, by deferring less urgent expenditures, such as construction, and by holding down new commitments. The Cabinet Committee chaired by Secretary Humphrey has just recommended that we apportion 1958 new obligational authority at the 1957 level. Your action today can make all of these steps more effective.

~~It has become increasingly clear that we cannot have growing Government services in all areas and a reduction in the present high tax rates. We have already accomplished so much in our broad domestic and foreign programs and in our defense structure that what we are considering will not cripple us, however difficult it may seem.~~

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It has become increasingly clear that we cannot have growing Government services in all areas and a reduction in the present high tax rates. We have already accomplished so much in our broad domestic and foreign programs and in our defense structure that what we are considering will not cripple us, however difficult it may seem.

Conclusion

To be effective, or even possible, any policy we adopt must be accepted wholeheartedly by everyone concerned. It must be carried out consistently throughout government and we must be willing to go out and preach it both before and after the budget is submitted. I strongly support $70 billion as our 1959 budget objective both for expenditures and new obligational authority. Not for public consumption

I have included a table with the 1958 figures although our immediate attention is directed to the 1959 Budget. In order to be consistent with our 1959 Budget goal, and in fact to be able to meet it, we must hold our 1958 expenditures about $1 billion below the budget estimate. $71.8. Steps have already been taken to meet some of these reductions but emphatic and immediate action in other areas will be necessary.

CABINET: JUNE 3 1957

ALLOWABLE AGENCY EXPENDITURES TO REACH PRESIDENT's 1959 OBJECTIVE

In Millions of Dollars

MAJOR PROTECTION	1957 Current Estimate	1959 Agency Projections	1959 Allow-able	1959 Allow-able	Difference (+) (-)	1959 New Obligational Authority
Defense - Military	$38,700	$ 39,000	$38,000	$ 38,000	$ -700	$ 38,000
- Mutual Assistance	2,200	2,200	1,850	1,850	-350	1,600
Atomic Energy	1,985	2,780	2,300	2,300	+315	2,200
Mutual Security - Economic	1,575	2,000	1,650	1,650	+ 75	1,900
Stockpiling (GSA)	290	348	270	270	- 20	270
Defense Production	135	93	70	70	- 65	-
Subtotal	44,885	46,421	44,140	44,140	-745	43,970
Other CABINET						
Agriculture	4,880	4,885	4,520	4,750	-130	5,000
Commerce	575	827	730	730	+155	730
Defense - Civil, Corps of Engineers	615	803	690	690	+ 75	690
Health, Education and Welfare	2,333	2,791	2,400	2,450	+117	2,400
Interior	580	974	660	680	+100	680
Justice	213	234	230	230	+ 17	232
Labor	414	468	430	429	+ 15	441
Post Office	520	276	60	40	-480	40

State	180	245	220	220	+ 40	205
Treasury - Interest	7,335	7,861	7,861	7,861	+526	7,861
- Other	741	845	829	829	+ 88	854
OTHER AGENCIES						
Veterans	4,795	4,959	4,740	4,850	+ 55	4,785
General Services (except Stockpiling)	220	547	x 310	310	+ 90	310
Housing and Home Finance	-8	422	180	450	+458	600
All Other	1,142	1,212	1,100	1,100	- 42	1,100
Total, Excluding New Programs	69,420	73,770	69,100	69,759	+339	69,898
Allowance for New Programs and Contingencies		538	900	900	+900	900
GRAND TOTAL	$ 69,420	$74,308	$70,000	$70,659	$+1,239	$70,798

CABINET: JUNE 3, 1957

ALLOWABLE AGENCY EXPENDITURES TO REACH PRESIDENT's 1959 OBJECTIVE

(in millions of dollars)	1958 Budget Document	1958 Without Adjustment	1958 Allowable
MAJOR PROTECTION			
Defense - Military	$38,000	$39,600	$38,000
- Mutual Assistance	2,600	2,200	2,100
Atomic Energy	2,340	2,340	2,340
Mutual Security - Economic	1,756	1,700	1,600
Stockpiling (GSA)	345	284	284
Defense Production	50	182	181
SUBTOTAL	$45,091	$46,306	$44,505
OTHER CABINET			
Agriculture	$5,330	$5,917	$5,470
Commerce	762	748	684
Defense - Civil, Corps of Engineers	654	644	644
Health, Education and Welfare	2,634	2,637	2,688
Interior	700	724	674
Justice	226	225	223
Labor	415	439	406
Post Office	58	220	204
State	230	220	200
Treasury - Interest	7,360	7,560	7,560
- Other	772	784	774
OTHER AGENCIES			
Veterans	5,068	4,932	4,927
General Services (except stockpiling)	309	283	284
Housing and Home Finance	391	193	225
All other	1,187	1,122	1,100
Total, Excluding New Programs	71,187	72,954	70,568
Allowance for New Programs and Contingencies	620	433	232
GRAND TOTAL	$71,807	$73,387	$70,800

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ALLOWABLE AGENCY EXPENDITURES TO REACH PRESIDENT'S 1959 OBJECTIVE

(In millions)

	1957 current estimate	1959 agency plans	1959 allowable
MAJOR PROTECTION			
Defense--Military	$38,600	$39,000	$38,000
-Mutual assistance	2,100	2,200	1,850
Atomic Energy	1,940	2,780	2,300
Mutual security - economic	1,550	2,000	1,650
Stockpiling (G.S.A.)	360	348	270
Defense production	140	93	70
Subtotal	44,690	46,421	44,140
OTHER CABINET			
Agriculture	4,880	4,885	4,520
Commerce	575	827	730
Defense--Civil, Corps of Engineers	630	803	690
H.E.W.	2,333	2,791	2,400
Interior	580	974	660
Justice	214	234	230
Labor	409	468	430
Post Office	510	276	60
State	180	245	220
Treasury - Interest	7,335	7,861	7,861
- Other	714	845	829
OTHER AGENCIES			
Veterans	4,785	4,959	4,740
General Services (except stockpiling)	215	547	310
Housing and Home Finance	175	422	180
All other	1,212	1,212	1,100
Total, excluding new programs	69,437	73,770	69,100
Allowance for new programs and contingencies	-	538	900
Grand total	69,437	74,308	70,000

May 31, 1957

CABINET PAPER

For Consideration

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CA - 57-76

May 28, 1957

The White House

Washington

THE CABINET

AGENDA

Monday, June 3, 1957 - 10:30 AM

1.	The Federal Budget -- Policies and Plans, 1959 - 1962.	(Oral)	The Director, Bureau of the Budget

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

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ALLOWABLE AGENCY EXPENDITURES TO REACH PRESIDENT'S 1959 OBJECTIVE

(In millions)

	1958 budget document	1958 without adjustment	1958 allowable
MAJOR PROTECTION			
Defense--Military	$38,000	$39,600	$38,000
-Mutual assistance	2,600	2,200	2,000
Atomic Energy	2,340	2,340	2,240
Mutual security - economic	1,756	1,700	1,600
Stockpiling (G.S.A.)	345	284	280
Defense production	50	182	180
Subtotal	45,091	46,306	44,300
OTHER CABINET			
Agriculture	5,330	5,917	5,600
Commerce	762	748	710
Defense--Civil, Corps of Engineers	654	644	630
H.E.W.	2,634	2,637	2,620
Interior	700	724	670
Justice	226	225	220
Labor	415	439	420
Post Office	58	220	220
State	230	220	200
Treasury - Interest	7,360	7,560	7,560
- Other	772	784	780
OTHER AGENCIES			
Veterans	5,068	4,932	4,920
General Services (except stockpiling)	309	283	280
Housing and Home Finance	391	193	190
All other	1,187	1,122	1,100
Total, excluding new programs	71,187	72,954	70,420
Allowance for new programs and contingencies	620	433	380
Grand Total	71,807	73,387	70,800

May 31, 1957

CABINET PAPER

For Consideration

CABINET CHECK-LIST

For: CABINET, June 3, 1957

NO DEBRIEFING HELD

✓ THE PRESIDENT
Sub-stitute:

✓ THE VICE PRESIDENT

✓ STATE
(Mr. Dulles)

✓ TREASURY
(Mr. Humphrey)

✓ DEFENSE
(Mr. Wilson)

✓ JUSTICE
(Mr. ~~Brownell~~ Rogers)

✓ POST OFFICE
(Mr. ~~Summerfield~~ Stans)

✓ INTERIOR
(Mr. Seaton)

✓ COMMERCE
(Mr. Weeks)

✓ AGRICULTURE
(Mr. Benson)

✓ LABOR
(Mr. ~~Mitchell~~ O'Connell)

✓ HEALTH, EDUCATION, AND WELFARE
(Mr. ~~Folsom~~ Perkins)

✓ BUDGET
(Mr. Brundage & Mr. Jones)

✓ ODM
(~~Dr. Flemming~~ Mr. Gray)

✓ CIVIL SERVICE
(Mr. ~~Young~~ Ellsworth)

O USUN
(Mr. Lodge)

O DISARMAMENT
(Mr. Stassen)

O FCDA
(Gov. Peterson)

O USIA
(Mr. Larson)

O THE ASSISTANT TO THE PRESIDENT

✓ THE DEPUTY ASSISTANT TO THE PRESIDENT

✓ THE SECRETARY TO THE CABINET

✓ Saulnier

Special Assistant for Cabinet Coordination:

Appointment Secretary, or Other:

___Mr. King
___Mr. Hanes
___Mr. Parsons
___Mr. Livesay
___Mr. Healy
___Mr. Stans
___Mr. Bennett
___Mr. Kilborne
___Mr. Smith
___Mr. Wallace
___Mr. Gradison
___Dr. Reid
___Mr. Vaughan
___Mr. Winslow
___Mr. McCarthy
___Mr. Toner
___Mr. Reutzel
___Mr. Voorhees

WHITE HOUSE STAFF:

✓ General Cutler
✓ General Goodpaster
✓ Mr. Wheaton ~~Mr. Hagerty~~
Mr. Harlow
Dr. Hauge
Mr. McCann
✓ Mr. Martin in part
✓ Mr. Minnich
✓ Mr. Morgan
✓ Mr. Patterson
✓ Governor Pyle
Mr. Randall
✓ Mr. Shanley
Mr. M. Snyder

OTHERS:

McCandless - Budget
Adm. Strauss
Mr. Floete
Mr. Hollister

Meeting opened 10:31

Meeting Adjourned 12:10 ?

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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
1. Cabinet	Record of Action RA-57-77 for Mtg. 6/17/57	6/17/57	A
~~2. Minutes~~	~~of Cabinet Meeting discussing primarily Operation Alert; P.L. 480~~ Opened per MR 76-127 #16 7/[illegible]/77 [illegible]	~~6/17/57~~	A
3. Cabinet	Agenda GA 57098	6/18/57	A
4. Cabinet	Agenda for Exercise Actions in Operation Alert	6/19/57	A
5. Statement	by President (draft for use in Operation Alert)	undated	A
6. Memorandum,	Bradley Patterson to Gen. Goodpaster	6/13/57	A
7. Cabinet	Paper for Information- Exercise document	6/6/57	A
8. Cabinet	Paper for Information- Excercise document	6/13/57	A

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E.O. 11652, Section 1

By BWC NLE, Date 3-17-77

MINUTES OF CABINET MEETING

June 17, 1957
9:00 A. M. -- 10:20 A. M.

The following were present:

President Eisenhower

Sec. Dulles
Under Sec. Randolph Burgess
(for Sec. Humphrey)
Deputy Sec. Quarles
(for Sec. Wilson)
Deputy Attorney General Rogers
(for Mr. Brownell)
Mr. Summerfield
Sec. Seaton
Sec. Benson
Under Sec. Walter Williams
(for Sec. Weeks)
Sec. Mitchell
Sec. Folsom

Director Brundage and
Mr. Arnold Jones
Mr. Gordon Gray
Chrm. Ellsworth
Dr. Saulnier
Amb. Lodge

Asst. Sec. of Agriculture
Earl Butz (in part)
Mr. Don Paarlberg (in part)
Mr. Milan Smith (in part)
Acting Adm. of FCDA Lewis
E. Berry
Mr. Allen Dulles, CIA
Adm. Strauss, AEC
Mr. Arthur Larson, USIA
Lt.Gen. M. H. Silverthorn,
ODM (in part)
Mr. Robert West, ODM (in part)
Gen. Oliver Picher, JCS (in part)

Gov. Adams
Gen. Persons
Mr. Rabb
Mr. Hagerty
Mr. Shanley
Gen. Cutler
Mr. Morgan
Dr. Hauge
Gov. Pyle
Mr. Martin
Mr. Jack Anderson
Capt. Aurand
Mrs. Wheaton
Mr. Patterson
Mr. Minnich

Operation Alert 1957 - EXERCISE UNCAP - Mr. Quarles reported the Exercise actions taken thus far in view of the assumed critical international situation. (He indicated that Defense was playing the Exercise only within the United States, though some of the problems handled of course referred to matters overseas.)

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Sec. Dulles set forth the State Department Exercise recommendation that the President issue a statement on the situation and on United States recommendations for UN Security Council action. The President agreed in principle.

Mr. Gray recommended as an Exercise action that the President direct all agencies to review their emergency plans and stand ready to revise them and implement them if necessary. The President agreed.

Mr. Berry reported that FCDA, in view of the assumed situation, was looking at the matter of an emergency shelter program and also was giving much attention to inventories of survival items. EXERCISE UNCAP.

*** ***

Following this "play" of the Exercise, Gordon Gray again cautioned the Cabinet on the need for careful handling of Exercise documents, the confidential nature of which had to be protected even through the Exercise. He informed the President that a document book was being distributed after much consideration of the risk of possible "leaks", and that it would contain ten documents of general interest to all agencies. None of the documents would be of an unusually sensitive nature. He said that documents of limited interest would be distributed only to the agencies concerned. The President believed these arrangements satisfactory.

The President then reviewed the schedule for the Exercise and, along with Mr. Gray, emphasized the importance of Cabinet members visiting relocation sites during the week of July 15 and being available for the critique on July 19.

Debt Situation - Mr. Burgess again reviewed the situation with regard to pressure on the debt ceiling. On the basis of current estimates it appeared that the situation would be very tight, especially in mid-December and mid-January. He indicated that Treasury would continue to watch the situation and would consider possible further action in July before Congress adjourns.

Mr. Burgess then discussed the continuing financing problems in view of heavy State and local borrowing. He noted two large transactions in July when $4 billion in cash must be raised and in August when $15 billion worth of securities mature. These operations, he said, can be handled but at the cost of a higher rate of interest and of relatively short issues.

The President referred to new stirrings in the Defense Department on the Cordiner Report and repeated the instructions he had given to the Secretary of Defense that he (the President) would be agreeable to an effort pinpointed on increased salaries for technicians and younger officers, but that he would not accept any general increase. Mr. Quarles recounted how Defense Department had tried to make this position clear.

Current Agricultural Problems - Sec. Benson, prior to a detailed presentation on agricultural surpluses, noted that farm prices and income

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By DHC 3-17-77

are slightly better than a year ago, that markets continue to expand, that much of the improvement resulted from costly new Federal programs, and that Agriculture is anxious to secure further legislation making price support formulas more flexible. He thought that Agriculture might next January urge a special message by the President on this matter.

Mr. Butz presented a series of charts concerning surpluses in particular crops, CCC disposal programs, exports generally and specifically under P. L. 480, and use of foreign currencies. He noted the favorable situation regarding upland cotton where the world price still exceeds the US price after a large volume of US sales -- all of this contrary to the fears expressed, when the United States first went into the world market, that the world price would fall drastically.

Mr. Butz reported the definite impression he secured during a recent world trip that foreign officials have a growing tendency to regard P. L. 480 as a permanent source of food supplies. He urged that efforts be made to clarify the temporary nature of P. L. 480 programs.

Mr. Butz also made a detailed presentation on the rigidity of the law governing price supports for cotton and the requirement for taking action that will not be in the best interests of cotton producers.

Sec. Dulles reported the difficulty experienced by the State Department in judging whether the advantages of P. L. 480 outweighed the disadvantages. He reported also the concern of the Canadians who hope that P. L. 480 does not become permanent.

Mr. Gray took note of the Senate subcommittee hearings on P. L. 480 and the probability that Sen. Humphrey will attempt to charge negligence in fulfilling Title III concerning stockpiling. He stated the question as being one of whether the United States had to acquire stockpile items regardless of foreseeable needs or lack of needs. He saw hearings as an effort to drive wedges between ODM and Agriculture. The President commented that the supplementary stockpile was established primarily as a convenience for Agriculture.

Sec. Seaton commented on letters received by him and Sec. Weeks from President Hoover urging study of possible expansion of the barter program. The President commented on his long standing belief that it was desirable to trade surpluses subject to spoilage for materials, especially minerals, not subject to spoilage. He recognized the difficulty of carrying on such a program at a time when Treasury is having difficulty raising funds. Sec. Benson noted also that barter arrangements frequently served only to replace cash sales.

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

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June 15, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Monday, June 17

The following are the items listed on the Cabinet Agenda for 9:00 AM Monday, June 17, 1957:

1. EXERCISE Actions for OPERATION ALERT, 1957

This item has 4 sub-items, as shown on the separate EXERCISE Agenda, attached under Tab 1:

a) Report on the Military Situation (Mr. Quarles)

Four Secret EXERCISE Assumed Situation Reports have been distributed in recent days through the Cabinet Secretariat. (See Tab 2) The Acting Secretary of Defense will give you and the Cabinet very briefly the latest word on the assumed military situation in the Far East.

b) Proposed Statement by the President (Mr. Dulles)

This EXERCISE assumes that one of the early actions you would take would be to report to the Nation. The Secretary of State has prepared a draft of such an assumed report. This draft has been handed out at the table and is in your book under Tab 3. The Secretary of State will propose this draft for actual Cabinet discussion and your hypothetical approval.

c) Mobilization Readiness Measures (Mr. Gray)

Another assumed early action in such a situation would be to call for a step-up in mobilization readiness.

Mr. Gray will explain this and recommend hypothetical actions for your approval.

d) Civil Defense Readiness Measures (Mr. Berry)

A further early action to be taken under this assumed situation would be to step up civil defense readiness. Mr. Lewis E. Berry, Jr., who is the Acting Administrator of Federal Civil Defense Administration now that Mr. Peterson has resigned, and who will be heading up the agency during the next *few* weeks while OPERATION ALERT is going on, will present the appropriate recommendations for Cabinet discussion and your hypothetical approval.

2. Review of the Debt Limit Situation and the Present Market Problem (Mr. Burgess)

The Agenda returns at this point to regular Cabinet business.

Mr. Burgess will give you and the Cabinet the latest picture of the Treasury's financial situation. (He has informed us that Treasury still wishes to wait until the last minute, in July, before actually proposing the decision on whether or not to ask for deferral of the lowering of the debt ceiling.)

3. Present and Future Problems of Agriculture, and the Disposal of Agricultural Surpluses (Mr. Benson and Mr. Butz)

On the theory that it is better to be ahead of events than behind them, and believing that the Cabinet is the proper place to stimulate advance thinking about problems which are just around the corner, Mr. Benson wishes to present a review of the present and future agricultural situation. All the Cabinet members will be affected by what he has to say.

Secretary Benson will first give you and the Cabinet a brief status report on the agricultural legislation now pending on the Hill, and on the reactions to the recent letter to Senator Ellender (See Tab 4).

Assistant Secretary Earl Butz, with the help of some well-done charts, will review the present successes, but also the future problems of our agricultural surplus disposal program.

Maxwell M. Rabb
Secretary to the Cabinet

MEMORANDUM FOR CABINET, JUNE 17, 1957

I. AGRICULTURAL PROBLEMS INVOLVE MANY AGENCIES OF GOVERNMENT BESIDES USDA.

A. State Department through disposal and mutual security programs.

B. The Treasury and the Bureau of the Budget because of costs.

C. All Departments because of the important economic significance of agriculture.

D. The whole government because agriculture is a battleground of rival economic philosophies. There are those both in and out of Congress who would socialize agriculture.

II. WHAT WE HAVE FOR PRESENTATION TODAY IS MAINLY AN INFORMATIONAL ITEM. But we also will give background regarding some unresolved problems. At an appropriate time, these may be brought before this group in more detail.

A. Informational items will in general be these two:

1. The present economic and legislative situation in agriculture.

2. Progress in surplus disposal.

B. Among the unresolved problems, which will become apparent as the presentation is made, are these.

1. How can we protect farm people from the adverse consequences of their own magnificent performace? -- efficiency of farmers.

2. How can our abundant supplies best be used to promote the cause of world peace?

3. To what degree should domestic prices of our export crops be related to competitive world prices?

4. How can we move toward relaxation of rigid formulas and burdensome and largely ineffective production controls?

5. How can we keep temporary programs, like surplus disposal and the soil bank, from becoming permanent? real move on foot in Senate to make them permanent.

III. ECONOMICALLY, AGRICULTURE IS NOW SHOWING RECOVERY, though basic problems remain unsolved -- transition difficult -- less hardship.

A. Prices and income are running slightly above a year ago.

B. Farm income was up in 1956 and will be up again in 1957.

C. Surpluses are being reduced -- declined steadily for 16 months.

D. Markets are being expanded -- exports -- population -- diets.

E. However, this improvement is in large measure the result of costly, temporary programs such as:

  1. The soil bank.

  2. Surplus disposal.

F. Long range problems remain unsolved.

  1. The technological revolution and incentive prices continue to generate excessive supplies.

  2. The old basic law contains escalator clauses -- rigid formulas -- which will boost prices as soon as surplus stockpile number 1 is removed, thereby setting the stage for surplus number 2.

IV. **WE HAVE MADE SOME PROGRESS LEGISLATIVELY** in dealing with these difficulties. Has not been easy after 20 years of moving in the other direction.

A. The Agricultural Act of 1954 provided a beachhead of price flexibility for the "basic" crops.

B. The Agricultural Act of 1956 protected the gains made in 1954 and added a temporary weapon for dealing with surpluses -- the soil bank.

C. We are now ready for the next step, which we have recommended to the Congress.

1. Remove the escalator clauses -- the rigid formulas.

2. Provide for a wider range in establishing price support levels.

D. We are encouraged by reaction to these latest proposals.

Summaries the 3 basic points in the letter.

1. The proposals are sound and most people know it.

2. Timing of our move was ideal.

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3. The tone of our recommendations was right: responsibility was placed on the Congress.

We will likely not get any action this session.

4. The tide is running in favor of realism.

You may want to consider a special message in January.

V. **ONE SPECIAL ASPECT OF OUR PROGRAM HAS BEEN PREPARED** in chart form - surplus disposal. Assistant Secretary Earl Buts has about a dozen charts which he will present for your information and comments.

Supplemented this by a letter to Cooley

THE WHITE HOUSE
WASHINGTON

One special aspect of our agricultural program is surplus disposal. Here, Mr. President, as with other parts of our overall policies, we must report a combination of laudable accomplishments in the past and present and grave questions ~~XX~~ for the future. Assistant Secretary Earl Butz will review these accomplishments and questions for you. Our purpose here is to give ~~us~~ the full facts so that you, Mr. President, and ~~the administration~~ all of us can be ahead of events and not behind them. We hope ~~ZEE~~ that at ~~XXX~~ the conclusion you will speak up frankly with ~~ZEE~~ any queries or comments which this review will provoke.

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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Cabinet	Record of Action for Mtg. of 6/21/57 RA-57-78	6/21/57	A
Copy	of item # 1		
Cabinet	Record of Action - Exercise Document XRA-57-2	6/21/57	A
Cabinet	Agenda CA-57-78	6/18/57	A
Cabinet	Agenda XCA-57-2 - Exercise Actions Op. Alert	6/19/57	A
[illegible]	Briefing Guide for Operation Alert 1957	6/1/57	A
[illegible]	Briefing Guides Documents Annex	undated	A
[illegible]	Paper for Information Exercise Document	6/17/57	A
[illegible]	Paper for Information - Exercise Document	6/20/57	A
[illegible]	Alert Exercise statement by President	6/21/57	A
Cabinet	Paper for Action XCP-57-2 Exercise Document	6/21/57	A

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E.O. 11652, Section 1
By bc NLE, Date 11/20/78

MINUTES OF CABINET MEETING

June 21, 1957
9:30 A. M. -- 10:45 A. M.

The following were present:

President Eisenhower

Deputy Under Sec. Dillon
(for Sec. Dulles)
Under Sec. Randolph Burgess
(for Sec. Humphrey)
Deputy Sec. of Defense Quarles
(for Sec. Wilson)
Mr. Summerfield
Mr. Brownell
Sec. Seaton
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage
and Mr. Arnold Jones
Mr. Gordon Gray
Chrm. Ellsworth
Dr. Saulnier (in part)

Admiral Strauss, Atomic Energy
Mr. Arthur Larson, USIA
Mr. Lewis Berry, Acting Adm., FCDA (in part)
Mr. Floete, GSA (in part)
Mr. Allen Dulles, CIA (in part)
Chrm. Alcorn, RNC (in part)
Mr. Albert Cole, HHFA (in part)
Mr. Harvey Higley, VA (in part)

Gov. Adams
Gen. Persons
Mr. Rabb
Mr. Shanley
Gen. Cutler
Mr. Randall (in part)
Mr. Morgan
Dr. Hauge
Gov. Pyle (in part)
Mr. Harlow
Mr. Martin (in part)
Mr. McPhee
Capt. Aurand
Mrs. Wheaton
Gen. Goodpaster (in part)
Mr. Patterson
Mr. Minnich

Operation Alert 1957 - The President reiterated his desire to have Cabinet members present at the critique on July 19 if at all possible.

EXERCISE UNCAP - Continuing the play of the Exercise begun last week, Mr. Quarles reported on the assumed military situation abroad and recommended that the President sign an order authorizing the Defense Department to increase its force levels gradually and to initiate calling up reservists. Mr. Gray commented that the increase was for a 12-month period and would be kept under constant review so that it could

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be halted should international tensions lessen. The Secretary of State then presented a draft Presidential statement covering the assumed situation and informing the public of the steps taken thus far by the President to meet the emergency. Mr. Gray on behalf of ODM recommended that the President proclaim an unlimited national emergency, and the President agreed to the Exercise action. Mr. Gray then recommended that the President forward to Congress certain pieces of emergency legislation. (At this point, since Congress is not participating in the Exercise, Mr. Gray assumed that several days had elapsed and that the legislation had been approved.) Mr. Gray then recommended that the President sign an order establishing various emergency organizations and delegating functions to ODM for re-delegation as desirable. Mr. Brundage presented a Budget recommendation that the President need ask Congress at this stage of the Exercise only for another $100 million since current actions could be met for some time with funds at hand and since Congress would be available to approve required increases later on. The President agreed. Mr. Gray then covered Presidential actions with regard to personnel to man the new emergency agencies.

For FCDA Mr. Berry reported that in this assumed crisis FCDA had been reviewing and testing its facilities and was paying particular attention to equipment requirements of the States and others. Standby legislation was under consideration.

Mr. Gray concluded the day's play of the Exercise with an announcement concerning the active status of relocation sites. EXERCISE UNCAP.

Republican Regional Conferences - Mr. Alcorn reported on the discussions at the national meeting and the six regional meetings held in recent months. They revealed that the budget, school construction and farm programs consistently topped the list of concerns among the participants. Careful analysis, however, failed to show any signs that these concerns would tip the balance in any individual Congressional contests. On the other hand there was found, he said, tremendous enthusiasm for the Administration's achievements in maintaining peace and prosperity.

Mr. Alcorn also outlined briefly his view of 1958 election prospects, organizational efforts under way within the Committee, the "neighbor-to-neighbor campaign" to start in September, and a few of the activities scheduled for 1958. He hoped that some of the Cabinet members would be able to attend each of the major scheduled meetings.

He invited Cabinet suggestions in connection with reactivation of the "Answer Desk" and also the newly established "Chairman's Fact Sheet" designed to provide brief factual answers to controversial matters for use by Republican organizations throughout the country. He noted the intent to establish a Small Business Section within the National Committee, and he urged Cabinet members to review the possibility of extending their informal contacts with Members of Congress.

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FY 1959 Budget - The President opened this discussion with a statement that expenditures had to be reduced and that the Administration may have to secure some legislative changes in the process of so doing.

Mr. Brundage reported that the individual agency discussions had been completed and that the objectives set at the last Cabinet discussion on this subject could be reached only through very rigid economy and control of expenditures. He thought it possible to hold expenditures for FY 1957 and 1958 to the area of $70 - $71 billion. This same level would be the target for 1959 pending final decision in the fall.

Mr. Brundage then presented a chart showing the Suggested Planned Allowables for each agency, highlighting the changes up or down for the three-year period. Mr. Brundage stated that, if the President approved this presentation, Budget would submit these figures to the agencies for planning purposes. The President commented that expenditures would never be brought under control unless the entire Administration adopted stern measures.

Mr. Folsom noted that despite all the talk of budget-cutting, Congress provided a larger-than-requested appropriation for HEW. This indicated to him that Congress had, in regard to HEW programs, an outlook different than that regarding other programs. He said that except for water pollution grants, which HEW is ready to drop, it appeared that other programs must be carried out in full or the Administration would be subjected to damaging political attacks. He noted also that after the required grant programs were fulfilled, the expenditure level suggested by the Budget would leave practically nothing for operating expenses. The President commented that the HEW submission should be cast in terms of what the Department wanted and that any responsibility for increases should be made to fall on the Congress. Mr. Folsom replied that in doing this the Administration would expose itself to serious criticism unless advance agreement to the lower figures could be obtained from the Legislative Leaders. The President stated that he was quite used to criticism and that it didn't bother him. In further discussion reference was made to various programs, including medical research. Mr. Folsom referred to the slowness of state adjustments to compensate for reductions of Federal grant assistance. Mr. Brownell pointed to the conflicting instructions from Congress insofar as it established a debt limit and yet made increases in various appropriations.

(At this point the President was required to leave the meeting for a scheduled conference. He asked Governor Adams to take over.)

Mr. Folsom suggested that the proposition of reductions might be put up to Congress this year to see if they would press the states now to start on the necessary adjustments for 1959. He cited the Kestnbaum Commission recommendations which recommended cuts only in the school

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By GHC NLE, Date 8-11-76

lunch program and educational rehabilitation. Mrs. Hobby, he said, had attempted to secure reduction of vocational rehabilitation but was unsuccessful.

Governor Adams believed it the difficult responsibility of Mr. Folsom to work on this problem so as eventually to make recommendations to the President and to Congress on how reductions might be effected with the least impact on human beings. He readily agreed that it was always difficult to reduce grant programs, as well as to be responsible for programs so closely ordained by the Congress. At the same time, Governor Adams continued, the Administration had a responsibility to the people who in recent months have clearly expressed their disinclination toward further program increases. Mr. Folsom repeated that Congress had acted to increase HEW programs despite the budget-cutting atmosphere, and Mr. Weeks commented on the unreality of the Congressional efforts to appear as economizers. He noted particularly a Congressional tendency to increase less essential things and to reduce on essentials -- for instance, the elimination of funds for long range radar such as might have prevented the Grand Canyon accident. Mr. Weeks repeated an earlier suggestion that Administration budget tables be presented with a clear showing of the amounts for which the Administration carried responsibility and those which were written in by the Congress without Administration concurrence.

Mr. Quarles noted that the budget compilation showed a reduction of one billion dollars on security expenditures as contrasted with an increase of about two billion dollars for non-security items. He commented on the difficulty of drawing up a proper security program under these circumstances.

Mr. Benson called attention to the lack of Congressional response to Agriculture's repeated recommendations for reducing funds for fertilizer under the conservation program. Mr. Brownell again stressed the pertinency of Congressional insistence of a ceiling on the national debt.

Governor Adams summarized the discussion by inferring from the President's comments that he meant these figures to be more than suggestions, that in effect they were ceilings rather than mere goals. He emphasized the need for all to work together to meet this situation the best way possible. He indicated that, wherever a specific figure appeared to be completely impossible, he and Brundage -- indeed the entire Cabinet -- would endeavor to be helpful in making a presentation to the President with a view to having a possible exception. He felt it should be clear from this meeting that the Administration is doing its planning with a determined effort to stay within the figures presented.

LAM

L. A. Minnich, Jr.

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  Mrs. Whitman (2) ✓
  Mr. Rabb
  Mr. Minnich

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PRESENTATION TO CABINET ON THE 1959 BUDGET - JUNE 21, 1957

Mr. President:

Since the initial presentation, before Cabinet on June 3, of the problems we are facing in the preparation of the 1959 budget, we have discussed the tentative allowables with each of the agencies and have considered their reclamas.

All of the members of the Cabinet who were present at the earlier discussion have shown the fullest cooperation and willingness to try their best to make possible our fiscal objectives, of another balanced budget, continued debt reduction, and sufficient surplus to enable consideration of a further tax cut. All of this can be obtained only through rigid economy and planned spending. I think we have all been impressed during the past months by the fact that economy has strong political appeal as well as spending even for desirable projects.

As a result of our discussions I feel that with full administration support we may be able to hold our 1958 and 1959 expenditures somewhere between $70 and $71 billion. At least, it seems feasible to start the preparation of the detailed budgets on this basis for further and final consideration next fall. Some of our suggestions will not be feasible but each department must work out other offsetting economies and savings through administrative actions or legislation. Suggested planning allowables by departments are presented on this chart.

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PRESENTATION TO CABINET ON THE 1959 BUDGET - JUNE 21, 1957

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In view of the thorough discussion of this subject ~~which we had~~ two weeks ago I shall touch this morning on only a few of the highlights.

Starting with the first item ~~The~~ the principal difficulties that we ~~must~~ face with respect to Defense, are:

1. Reduction in military forces
2. Slowing down of aircraft procurement
3. Further substantial cuts in the ~~new~~ 1958 military public works request
4. Selectivity in missile and other research and development programs.

Coming to the next item the mutual assistance is presented as in the 1957 budget because we do not have revised figures for 1957 on the new breakdown. Some reduction has been made in the military portion but it is believed that all essential programs are provided for. There is a slight increase in the proposed economic portion and our recommended new obligational authority is probably somewheres near the amount that will be finally allowed by Congress for 1958.

For the Atomic Energy Commission we are allowing additional funds for procurement of uranium under contracts already made, and the maintenance of

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current rates of production of atomic weapons, which is about 100 percent greater than a year ago. We have not provided for additional increases which had been planned.

Agricultural problems can only be overcome by some legislative changes based on the recommendations already submitted by Secretary Benson. We have increased our earlier estimate of expenditures because the Senate has added back the soil bank program which was eliminated by the House.

Commerce is concerned about the low obligational authority provided for the shipbuilding program. The shipyards are all full of tankers at present but there will be need for commencing the replacement program for dry cargo vessels by 1959 or 1960. $44 million has been provided, and Secretary Weeks is having a new look at the whole program.

For the Corps of Engineers and equally for the Bureau of Reclamation we are slowing down all of the construction programs and are providing for no new construction to be initiated in 1958 or 1959. This, as well as many other proposals, will, of course, be the subject of strong attack.

Secretary Folsom has not accepted our proposals for HEW even though they exceed the 1957 level of spending. He feels that larger programs are mandatory

Interior, Justice, and Labor have been very cooperative, and will try to meet the allowable figure.

For the Post Office we are assuming that the rate increase before Congress will be passed this year and another increase will be obtained next year to place the Department on practically a self-supporting basis.

State and Treasury have accepted the allowables although State is very anxious to have more funds for Foreign Service, and Treasury for Coast Guard aircraft replacement, and the Internal Revenue Staff.

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Veterans Administration. We are preparing for your approval, Mr. President, a message to Congress submitting the Bradley Commission proposals which if adopted will be helpful in meeting these budget objectives. Administrative action must be taken in closing TB beds no longer required, in consolidating offices and hospital services.

For Housing and Home Finance we have increased our earlier estimate somewhat because of the large discount that would be necessary under present market conditions in order to dispose of FNMA mortgages in accordance with our earlier plan. We must reduce new obligational authority for college housing, urban renewal and special assistance programs if we are to keep future expenditures under control.

We are providing, as in our preliminary presentation, $900 million for new programs and contingencies. This will be insufficient unless the Congress cooperates and all Departments take a very critical look at their programs, particularly all new proposals.

While the actions we are proposing, Mr. President, [illegible] seem rather drastic we are actually allowing an increase of $1.4 billion over our fiscal year 1957 expenditures.

If you approve these suggestions today it is our intention to submit revised recommended figures to the agencies for use in their regular budget preparation which we would like to have by September 30.

Sample letter to be sent to the heads of all agencies, large and small, except to the temporary historical and memorial commissions, and to agencies in the legislative and judicial branches.

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EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
Washington 25, D. C.

June 28, 1957

My dear Mr. Secretary:

The President has requested that all agencies in the executive branch keep the rates of commitments, obligations, and expenditures for fiscal year 1958 at or below the level for the fiscal year 1957, to the extent feasible, and that I inform you of the necessary procedures for achieving this purpose. This task can best be accomplished by positive action on the part of each agency head. The apportionment and allotment system offers an existing administrative channel for each agency head to accomplish these purposes. Therefore, appropriate action along these lines should be reflected in the initial request for apportionment for 1958 appropriations and in requests for subsequent revisions of apportionments, as well as in allotment action within the agency, following these guidelines:

1. As a general rule, requests for apportionment and the allotments of funds shall be based upon holding obligations to absolute minimum levels. In most cases direct obligations should not rise above the level for the fiscal year 1957. Exceptions may be made with respect to that portion of appropriations which is for cash payments not controllable by administrative action (certain grants, annuities, indemnities, insurance losses, etc.), and with respect to uncontrollable workload and new legislation specifically endorsed as a part of the President's program. In any case where special circumstances (including those referred to above) prevent the agency from operating at or below the 1957 levels, the agency head shall submit a statement of reasons therefor to accompany the apportionment requests. For all appropriations, however, there should be a critical analysis of all activities, and advantage should be taken of every possibility for reductions; apportionments in all cases should be consistent with "allowable" sums being used in planning the 1959 budget. The sums available in excess of minimum needs will be placed in reserves for contingencies.

Portion of the sentence after the semicolon will be used only for the large agencies which received notice of "allowable" sums.

2. In the case of those appropriations that are for major capital outlay and development -- construction, procurement, research, etc. -- the requests for apportionment and the allotments should reflect the postponement of a significant part of the obligations planned in the Budget for 1958.

3. In general, separate quarterly apportionments and allotments will be made for object class "01 Personal Services." Exceptions will be made on a selective basis where regular apportionments and allotments, or other administrative arrangements, will effectively control the numbers of personnel.

4. Apportionments and allotments shall be revised throughout the year to provide for additional savings. After the close of each of the first three quarters, subsequent apportionments and allotments for operating programs will be reviewed in the light of program progress and costs, and action taken wherever possible, both to reserve unobligated balances remaining from the quarter just closed and to adjust subsequent quarters' figures to take into account lower rates of obligations actually achieved in the preceding period. Also, those savings which are made a matter of record in public statements on the basis of agency claims of such savings will be specifically identified and reserved.

Sincerely yours,

Director

The Honorable

The Secretary of

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Director's desk file
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THE WHITE HOUSE
WASHINGTON

June 20, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, June 21

We have scheduled a one-hour Cabinet meeting for tomorrow morning. It will begin at 9:30 in order to allow plenty of time for your Congressional breakfast; it will end at 10:30 in order to give you a half-hour prior to your appointment with Prime Minister Kishi. The agenda is as follows:

1. Exercise Actions for OPERATION ALERT, 1957

As set forth on the separate EXERCISE Agenda, this item has four parts:

1. The Acting Secretary of Defense will give the Cabinet a brief oral report on the assumed military situation -- which at this point will have involved an assumed attack on U.S. forces in Formosa Strait (i.e., M-day). O.K.

2. In the light of this new, much graver development, the Acting Secretary of State will distribute for discussion and your hypothetical approval another draft statement on the international situation. O.K.

3. In view of this assumed attack on U.S. forces, there are a series of mobilization actions which need to be proposed for your approval. Mr. Gray will go through these recommendations in order that you may make the decisions on them.

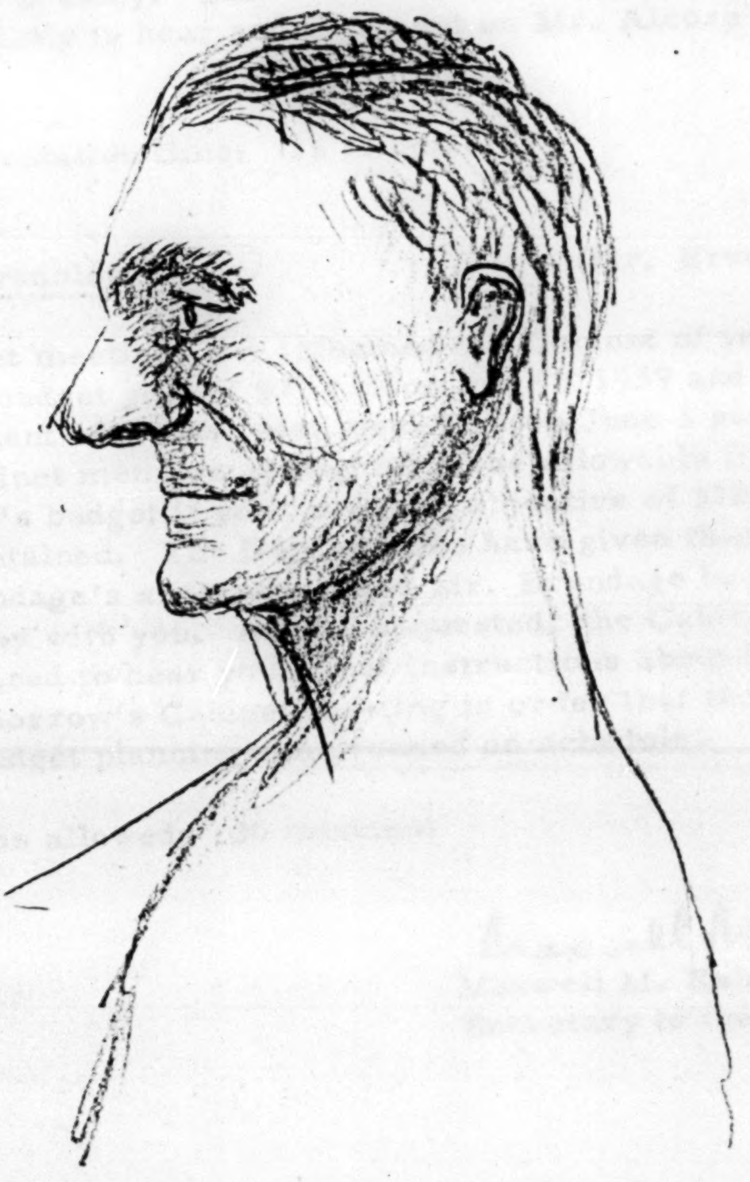
4. Mr. Lewis Berry, the Acting Civil Defense Administrator, will similarly present several recommendations for civil defense measures which require your action.

(It is believed that the above items should consume no more than 15 minutes of the Cabinet's time.)

3. Report on the Regional Conferences (Mr. Alcorn)

Pursuant to Cabinet members' suggestions, Mr. Alcorn will give the group some of the highlights of his conversations from the several Regional Conferences of the Party which have been held in recent weeks throughout the country. This will be a valuable opportunity for the Cabinet as a body to hear [illegible] Mr. Alcorn's report.

(Time allotted: [illegible])



4. FY 1959 [illegible] (Mr. Brundage)

At the June 3 Cabinet meeting [illegible] of your desire to stick to a budget [illegible] 1959 and thereafter. Consistent [illegible] June 3 new a letter to each Cabinet member [illegible] allowable figure for that Department's budget [illegible] figure of $72 billion is to be maintained. [illegible] have given their replies to Mr. Brundage's [illegible] Mr. Brundage has discussed them today with you [illegible] suggested, the Cabinet members are prepared to hear [illegible] instructions about [illegible] at tomorrow's Cabinet meeting in order that [illegible] detailed FY 1959 budget planning can proceed on schedule.

(Time allotted: 20 minutes)

Maxwell M. Rabb
Secretary to the Cabinet

4. Mr. Lewis Berry, the Acting Civil Defense Administrator, will similarly present several recommendations for civil defense measures which require your action.

(It is believed that the above items should consume no more than 10 minutes of the Cabinet's time.)

2. Report on the Regional Conferences (Mr. Alcorn)

Pursuant to Cabinet members' suggestions, Mr. Alcorn will give the group some of the highlights of his observations from the several Regional Conferences of the Party which have been held in recent weeks throughout the country. This will be a valuable opportunity for the Cabinet as a body to hear and comment on Mr. Alcorn's report.

(Presentation time: 15 minutes)

3. FY 1959 Allowables (Mr. Brundage)

At the June 3 Cabinet meeting, you informed the Cabinet of your desire to stick to a budget goal of $70 billion for FY 1959 and thereafter. Consistent with this, Mr. Brundage on June 3 sent a letter to each Cabinet member setting forth the allowable figure for that Department's budget if your over-all objective of $70 billion is to be maintained. The Departments have given their replies to Mr. Brundage's suggestions and Mr. Brundage has discussed them today with you. As you requested, the Cabinet members are prepared to hear your final instructions about these "allowables" in tomorrow's Cabinet meeting in order that their detailed FY 1959 budget planning can proceed on schedule.

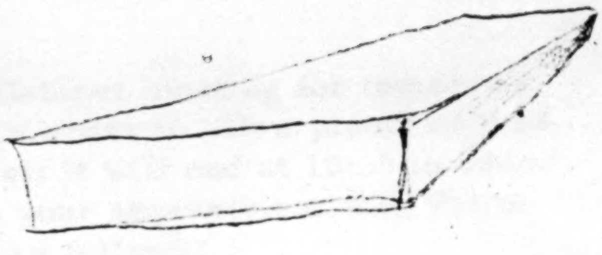
(Time allowed: 30 minutes)

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

[illegible] 20, 1957

[illegible]

Agenda for Friday, June 21



[illegible]

[illegible] OPERATION ALERT, 1957

[illegible] the separate [illegible]

The Acting Secretary of Defense [illegible] gave the Cabinet a brief oral report on the current military situation as much of this [illegible] have involved an exchange of [illegible] in Formosa Strait [illegible]

In the light of this [illegible] the Acting Secretary of State [illegible] discussion and [illegible] draft statement on [illegible]

In view of this [illegible]

[illegible]

NATIONAL ARCHIVES AND RECORDS SERVICE

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
1.Cabinet	Paper Record of Action for Operation Alert (Exercise document) XRA-57-3	6/28/57	A
2.Cabinet	Agenda for Operation Alert actions XCA-3 57-3	6/26/57	A
3.Cabinet	Paper for Information - Exercise Document	6/27/57	A

FILE LOCATION

RESTRICTION CODES

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[redacted]

Noted by President

RA - 57-79

June 28, 1957

The White House

Washington

THE CABINET

Record of Action

1. Comments on the Recent Supreme Court Decisions

/Information Item Only/

2. EXERCISE Actions for OPERATION ALERT, 1957

/See the separate EXERCISE Record of Action XRA - 57-3./

3. Monthly Report on FY 1957 Expenditures and Personnel

ACTION:

Cabinet Members were reminded of the importance to each of them personally, and to their Departments' programs, of the meetings now being held with their representatives concerning curtailment of programs and hiring (cf Memorandum to Cabinet Members from the Secretary to the Cabinet of June 27, 1957).

ADDITIONAL ITEMS:

A. Report of the Commission on Government Security

ACTION:

The President requested the Attorney General to prepare the necessary directives for his signature to get underway the Executive Branch review of this Report and its recommendations, both those of an administrative nature and those involving legislation.

B. Report of the Special United Nations Commission on Hungary

ACTION:

Cabinet noted the remarks of the U.S. Ambassador to the United Nations summarizing the Report and indicating possible future U.S. courses of action.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

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By DHC NLE, Date 8-11-76

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MINUTES OF CABINET MEETING

June 28, 1957
9:10 A. M. -- 10:30 A. M.

The following were present:

President Eisenhower

Vice President Nixon (in part)
Under Sec. Herter
(for Sec. Dulles)
Under Sec. Randolph Burgess
(for Sec. Humphrey)
Sec. Wilson
Mr. Brownell, and
Deputy Atty Gen Rogers
Mr. Summerfield
Sec. Seaton
Under Sec. True Morse
(for Sec. Benson)
Under Sec. Walter Williams
(for Sec. Weeks)
Sec. Mitchell
Sec. Folsom

Director Brundage, and
Mr. Arnold Jones
Mr. Gordon Gray
Chrm. Ellsworth
Amb. Lodge
Dr. Saulnier

Adm. Strauss, AEC
Mr. Arthur Larson, USIA

Capt. Aurand (in part)
Mr. Lewis Berry, FCDA (in part)
Mr. Robert Hillyard (in part)
Gen. Oliver Picher (in part)
(For Operation Alert item)

Gov. Adams
Gen. Persons
Mr. Hagerty (in part)
Mr. Shanley
Gen. Goodpaster
Mr. Morgan
Mr. Randall
Gov. Pyle
Mr. Martin
Mr. Harlow
Mr. Jack Anderson
Dr. Hauge
Mr. McPhee
Mrs. Wheaton
Mr. Rabb
Mr. Patterson
Mr. Minnich

Recent Court Decisions - Mr. Brownell reviewed a number of recent court decisions and their implications.

In regard to the Girard case, he believed that the lower court decision was incomplete since it did not recognize the peace treaty ratified by the Senate authorizing an agreement such as was subsequently made. He indicated that the Government would soon present its case to the Supreme Court and would maintain that the treaty provision is paramount.

In regard to the Schneiderman case, Mr. Brownell pointed out that the decision departed from earlier rulings by maintaining that it is unconstitutional to act under the Smith Act when the accused is merely

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advocating -- without inciting to action -- the Communist cause. He stated that the Government will have to retry a number of convicted persons now in jail and that the process will be complicated by the long lapse of time and the absence of witnesses. He said that the Justice Department is studying the faint possibility of securing appropriate new legislation to overcome the difficulties.

In regard to the Jenks case, Mr. Brownell stated that there is presently much confusion on the extent to which files have to be opened up prior to testimony by a Government witness. He reported that the Justice Department will testify in favor of legislation to establish a "reasonable interpretation" on the extent of opening files.

The Attorney General also noted the Krueger case, in which the court reversed previous decisions on the propriety of procedures for trying dependents of American military personnel accused of crimes while overseas. He said that the United States has long maintained that dependents abroad are, in effect, a part of the armed forces -- hence trial under military law was appropriate. The court decision now requires trial by jury at least in cases where capital punishment is involved.

The President, Sec. Wilson, and the Attorney General pointed out potential instances where it would be difficult, if not impossible, to follow the court decision. The President commented on the surprising nature of a Supreme Court reversal of itself within the period of one year.

The Attorney General also noted the John Service case, in which the decision highlighted the failure of Secretary of State Acheson to follow his own State Department regulation. As a result, the Department is now faced with the question of whether to reinstitute proceedings under the new security order.

Report of Commission on Government Security - The Attorney General briefly reviewed the scope of the report and noted the most controversial recommendations for establishment of a new agency responsible for personnel security government-wide, for transfer of visa procedures from State to Justice, and for various legislative measures such as allowing wiretaps, etc.

The Attorney General recommended that Administration action pertaining to legislative measures be processed through Budget as usual and that, in regard to purely administrative actions, the President ought to request appropriate study of the Commission's recommendations and preparation of a report to the Interdepartmental Committee on Internal Security. It was agreed that the Attorney General should prepare the necessary papers for the President to follow through on this aspect.

* * * *

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Operation Alert 1957 - EXERCISE UNCAP - Sec. Wilson reported on military actions in the assumed situation, on modernization of equipment, and on initiation of the increase of force levels as authorized in the last play of the Exercise. Mr. Gray directed attention to the new Defense request for a second increase in authorized force levels. He noted that the Manpower Agency was not yet ready to make a coordinated recommendation on this request, hence he suggested that the President might appropriately determine that this further increase be initiated in phases while the impact of it on the national economy is assessed. The President believed it would be desirable to go ahead with obtaining authorization for the higher force level, but that implementation of it should be undertaken only after further assessment of impact. The President wished to check with the Attorney General as to whether a separate request for higher force levels need be sent to the Congress in time of war or whether authorization might be obtained through supplemental appropriations procedure.

Mr. Berry gave FCDA's report on its progress with increased inventories, the emergency shelter program, and the public information and public training programs.

Mr. Gray then recounted a number of emergency actions taken, principally the issuance of Emergency War Resources Order No. 1, and the establishment of the various war agencies. He outlined the problem in connection with handling enemy aliens in the current situation and the possibility that the Department of Justice may need to request new legislation. The Attorney General indicated that Justice could act appropriately if the President considered the situation to mean that the United States was under threat of invasion. (In view of this, the proclamation will be revised to refer to the threat of invasion.) EXERCISE UNCAP.

* * * *

Mr. Gray then outlined arrangements for courier service during the Exercise, progress reports made to the President, the desirability of Department heads being in close touch with the Exercise throughout the week even though they might be in Washington rather than at relocation sites, and the need for attending the critique on July 19. Mr. Gray also covered briefly the document pertaining to press coverage of the Exercise. He emphasized that the press would be clearly advised that the Exercise did not include war games or testing of defense capabilities, that there would be no nation-wide damage figures, and that any releases on Presidential actions would be carefully reviewed so as to protect the confidential nature of these Emergency documents.

Mr. Herter asked about plans for federalizing the National Guard and what the states would have available should the Guard be called to active

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duty. Mr. Gray stated that the military requirement took priority but that not all of the Guard would be called to active duty. The President recalled his long advocacy of having a Federal Reserve for national purposes and a State Guard for state purposes, and thus avoid the conflict of two separate requirements. Mr. Gray recalled the 1948 study favoring a Federal Guard but which received no support. Sec. Wilson noted a current problem of the Defense Department with regard to the National Guard budget situation and the pressures already existing for an increase in funds.

Mr. Hagerty urged that circulation of Exercise papers be carefully restricted, since already the AP had come up with a story (not published) that seemed to be reported as an actual existing crisis concerning Formosa -- whereas in fact the story was a garble of an Exercise situation paper that had been somehow leaked. The President suggested the possibility of greater use of code references in operating the Exercise since any Exercise document that got to the public, even though its Exercise nature were apparent, might still have very bad international and domestic repercussion.

Monthly Budget Report - Mr. Brundage gave the latest figures on overruns and savings, showing a net of slightly over a one half billion dollar overrun. He also set forth figures on personnel changes, emphasizing a major decrease by the Veterans Administration but a small growth for the Government as a whole during the first five months of 1957.

Governor Adams gave a progress report on the work of the informal ? committee studying means of securing firmer personnel security controls. He indicated the need for obtaining the ideas of Cabinet members as to which suggestions would be most useful.

United Nations Report on Hungary - Amb. Lodge called attention to the 450-page report on the situation in Hungary beginning with the revolt last fall. He emphasized the unanimous character of the report and the strong condemnation it made of Soviet Russia's actions. He thought that UN consideration of the report eventually might lead to expelling the present Hungarian regime from the UN. In this connection, Sec. Mitchell noted that the ILO, meeting in Geneva, expelled the Hungarian delegates after it had received from the US Labor Delegate a recitation of the details of this report.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

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THE WHITE HOUSE
WASHINGTON

June 26, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, June 28

The following items are scheduled, subject to your approval, for the Cabinet meeting on Friday, June 28.

2. EXERCISE Actions for OPERATION ALERT, 1957

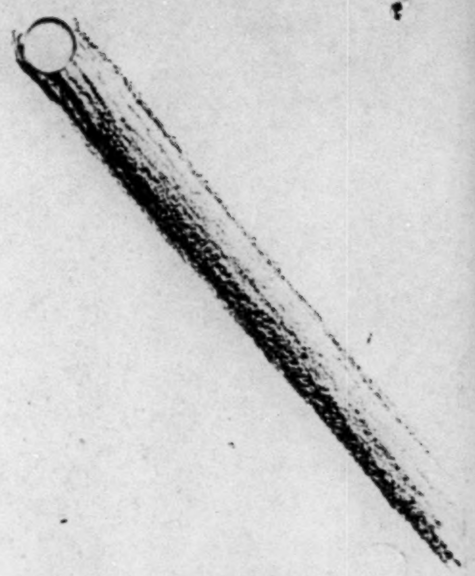
Defense, ODM, and FCDA will have certain actions to propose as part of OPERATION ALERT, and consistent with the international situation assumed to be developing. Items are to be listed on a separate EXERCISE Agenda.

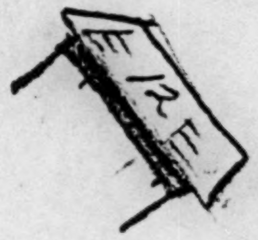
PRESENTATION TIME: 15 minutes

1. Comments on the Recent Supreme Court Decisions (The Attorney General)

The recent Supreme Court decisions, especially in the Jencks, Watkins, Service, and California Communists cases have evoked comments, questions, and controversy. Top officials in all parts of the Administration are being faced with inquiries about the effects of these decisions both on the Executive Branch and on the Congress. In order to give the Cabinet some guidance, both within the Executive Branch and for public discussion, the Attorney General will give us his comments on these important decisions and on their significance. Mr. Brownell will also make some comments concerning the recently released report of the Commission on Government Security.

PRESENTATION TIME: 20 minutes

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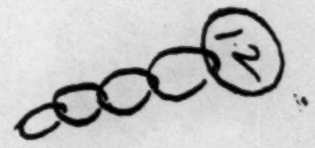
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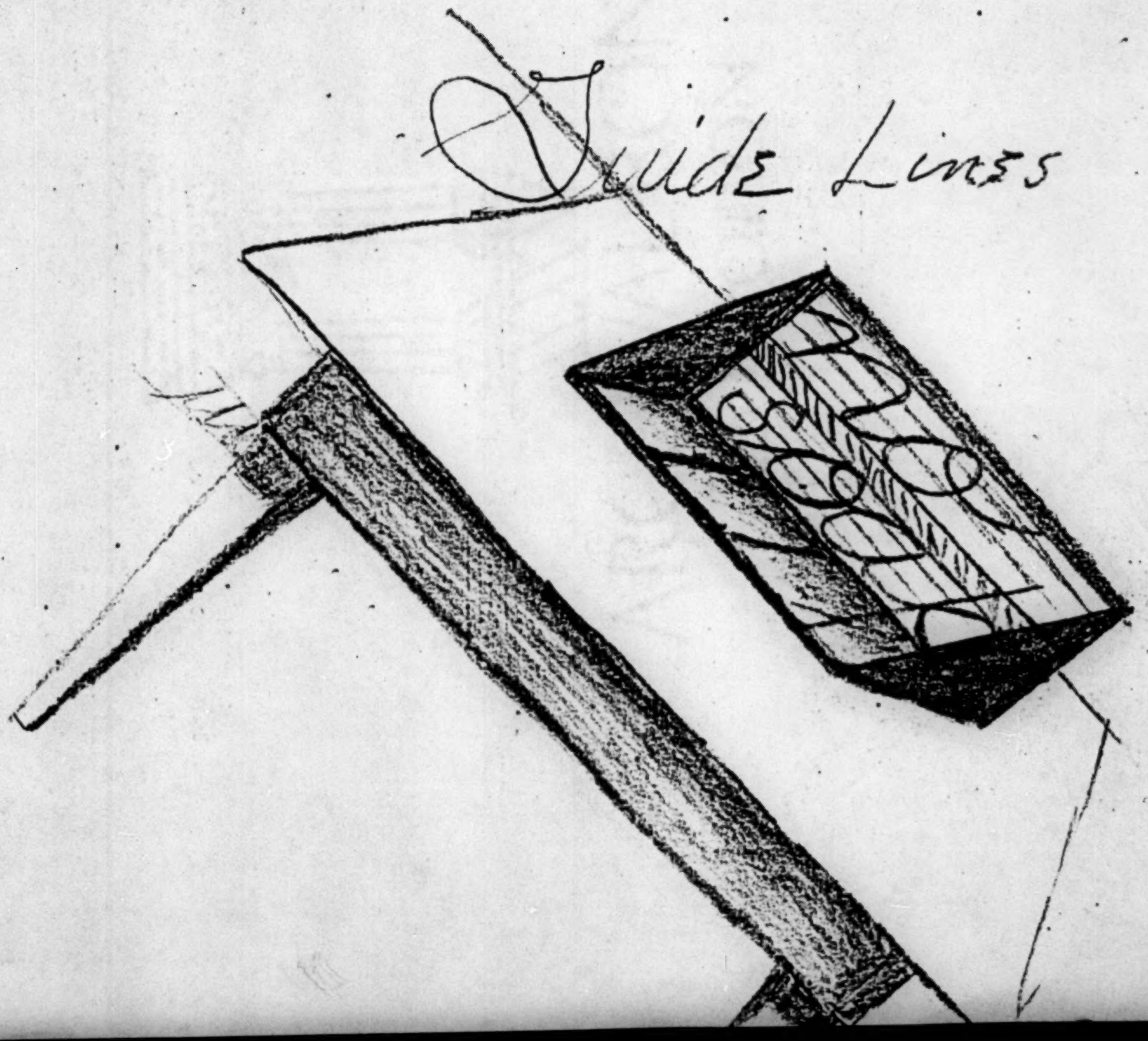
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3. Monthly Report on FY 1957 Expenditures and Personnel (The Director, Bureau of the Budget)

As was agreed at a Cabinet meeting earlier this year, Mr. Brundage, with the aid of charts, makes these monthly status reports on FY 1957 spending and hiring. As the fiscal year comes to a close, these reports will give us a clearer picture of the Administration's fiscal accomplishments, and weaknesses, according to the latest available information.

PRESENTATION TIME: 10 minutes

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

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Noted by President

RA - 57-79

June 28, 1957

The White House

Washington

THE CABINET

Record of Action

1. Comments on the Recent Supreme Court Decisions

/Information Item Only/

2. EXERCISE Actions for OPERATION ALERT, 1957

/See the separate EXERCISE Record of Action XRA - 57-3./

3. Monthly Report on FY 1957 Expenditures and Personnel

ACTION:

Cabinet Members were reminded of the importance to each of them personally, and to their Departments' programs, of the meetings now being held with their representatives concerning curtailment of programs and hiring (cf Memorandum to Cabinet Members from the Secretary to the Cabinet of June 27, 1957).

ADDITIONAL ITEMS:

A. Report of the Commission on Government Security

ACTION:

The President requested the Attorney General to prepare the necessary directives for his signature to get underway the Executive Branch review of this Report and its recommendations, both those of an administrative nature and those involving legislation.

B. Report of the Special United Nations Commission on Hungary

ACTION:

Cabinet noted the remarks of the U.S. Ambassador to the United Nations summarizing the Report and indicating possible future U.S. courses of action.

Maxwell M. Rabb
Secretary to the Cabinet

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June 27, 1957

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THE CABINET

Agenda

9:00 AM, Friday June 28, 1957

1.	Comments on the Recent Supreme Court Decisions	(Oral)	The Attorney General
2.	EXERCISE Actions for OPERATION ALERT, 1957		See Separate EXERCISE Agenda XCA-57-3
3.	Monthly Report on FY 1957 Expenditures and Personnel	(Oral)	The Director, Bureau of the Budget

Maxwell M. Rabb
Secretary to the Cabinet

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NATIONAL ARCHIVES AND RECORDS SERVICE

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

CORRESPONDENTS OR TITLE	DATE	RESTRICTION
1. Cabinet Agenda CA-57-80	7/10/57	A
2. Memorandum, Rabb to Adams re Cabinet Agenda	7/8/57	A
3. Cabinet Paper for Information, Exercise Document	7/8/57	A
4. Cabinet Paper for Consideration CP-57-12/1 re vested German & Japanese assets & payment of war claims of American nationals	7/10/57	A

COMMENTS

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THE CABINET

Agenda

9:00 AM, Friday, July 12, 1957

1.	EXERCISE Actions for OPERATION ALERT, 1957		See Separate EXERCISE Agenda, XCA - 57-4
2.	Report on Measures With Respect to Program and Personnel Curtailment	(Oral)	The Assistant to the President

Maxwell M. Rabb
Secretary to the Cabinet

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For Action

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GSA letter, 11/2/78
NLE Date 11/21/78

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MINUTES OF CABINET MEETING

July 12, 1957
9:00 A. M. -- 10:05 A. M.

The following were present:

President Eisenhower

VP Nixon
Sec. Dulles
Under Sec. Randolph Burgess
(for Sec. Humphrey)
Sec. Wilson
Mr. Brownell
Mr. Summerfield
Under Sec. Chilson
(for Sec. Seaton)
Under Sec. True Morse
(for Sec. Benson)
Sec. Weeks
Under Sec. James O'Connell
(for Sec. Mitchell)
Sec. Folsom

Director Brundage and
Mr. Arnold Jones
Mr. Gordon Gray
Dr. Saulnier
Chrm. Ellsworth
Amb. Lodge

Adm. Strauss
Mr. Lewis Berry, FCDA
Mr. Arthur Larson, USIA
Mr. Allen Dulles, CIA
Mr. Robert West, ODM

Gov. Adams
Gen. Persons
Mr. Rabb
Gen. Cutler
Gen. Goodpaster
Capt. Aurand (in part)
Mr. Morgan
Mr. Martin (in part)
Major Eisenhower (in part)
Mr. Randall
Dr. Hauge
Mr. McPhee
Mrs. Wheaton
Mr. Patterson
Mr. Minnich

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GSA letter 11/2/78
NLE Date 11/21/78

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By DHC NLE, Date 8-11-76

Personnel Controls - Governor Adams reported on the discussions of the informal committee and his request to the members to present by August 1st, each for his own agency, a plan setting forth (1) a self-imposed guide or ceiling in numbers or in dollar levels or other alternative; (2) methods of control, and (3) designation of specific responsibilities for control. He noted that all the agency representatives were extremely helpful and contributed much constructive thinking.

Sec. Wilson described the proposal under review in Defense for prohibiting hiring completely for 60 or 90 days -- an effective though not the most efficient way to reduce personnel. He saw a possibility of placing some ordnance plants on a 4-day week temporarily. He thought that the rapid payment of accounts -- and particularly with regard to progress payments -- might provide some one-time opportunities for reducing the rate of expenditures. He saw a need for coordination with other agencies to prevent adverse impact on them, such as Small Business particularly. The President advised him to effect this coordination through the Bureau of the Budget.

Alien Property - The President inquired about the item on alien property which had been removed from the agenda prior to the meeting. Sec. Dulles reported that some additional aspects were being discussed with the Attorney General, hence the matter was not ready for Cabinet. He believed that something could be accomplished that would be helpful in connection with the German situation and that the matter might be ready for discussion with the President during the coming week.

L. A. Minnich, Jr.

Copies to:
    Mrs. Whitman (2) ✓
    Mr. Rabb
    Mr. Minnich

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RA - 57-80

July 13, 1957

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, July 12, 1957:

1. OPERATION ALERT Exercise Actions for 1957.

   [See separate EXERCISE Record of Action XRA - 57-4, circulated through Interagency Communications System.]

2. Report on Measures with Respect to Program and Personnel Curtailment.

   ACTION:

   A. The Assistant to the President summarized and underscored the importance of the assignments made to each Cabinet department and to the major agencies at the White House meeting of July 10, 1957. Reference should be made to the decision summary of this meeting, circulated as a memorandum from the Secretary to the Cabinet dated July 11, 1957.

   B. The Secretary of Defense will check with the Bureau of the Budget and through it with other agencies concerned with respect to certain additional measures which he is proposing involving program and personnel curtailment.

Maxwell M. Rabb
Secretary to the Cabinet

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For Action

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EXERCISE - UNCAP

RED LINE TELETYPE - Deliver 9 a.m. Saturday, July 13

CROWN for Mr. Maxwell M. Rabb, West Wing

CACTUS for Mr. Minnich

The attached draft regular Record of Action for Friday's Cabinet Meeting is sent for your approval. Minnich please forward comments to Rabb prior to Saturday noon; Rabb please have Mrs. Mallardi stencil and arrange for 9 a.m. Washington distribution MONDAY along with July 11 Memorandum.

RA 57 - 80

The White House
Washington

The Cabinet Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, July 12, 1957:

1. Operation Alert Exercise Actions for 1957. See separate Exercise Record of Action XRA-57-4, circulated through the Interagency Communication~~s~~ System.

12
July 1957

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2. Report on Measures With Respect to Program and Personnel Curtailment.

Action

a. The Assistant to the President summarized and underscored the importance of the assignments made to each Cabinet Department and to the major agencies at the White House meeting of July 10, 1957. (Reference should be made to the decision summary of this meeting circulated as a Memorandum from the Secretary of the Cabinet dated July 11, 1957.)

b. The Secretary of Defense will check with the Bureau of the Budget and through it with other agencies concerned with respect to certain additional measures which he is proposing involving program and personnel curtailment.

MAXWELL M. RABB
Secretary to the Cabinet

12
July 1957

ext. 532 2 2 BRADLEY PATTERSON

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orig sent to
Col Collins for
Mr. Randall

August 1, 1957

Personal and Confidential

Remarks of Secretary Wilson

"I have been thinking about putting out an order to hire no more people for 60 to 90 days until we get this economy thing under control. This is drastic and may not be the whole answer...

We could put some of our ordnance plants on a 4-day week for 3 or 6 months.

Our suppliers have gotten their bills in fast. We may have to find some way so that these bills are not paid so fast -- 5 days has been the time in some cases.

Concerning advance payments on inventories: We have frozen this at 75% (it has been 90%)until a few days ago). Our suppliers ought to have some of their own money in these facilities rather than have completely government money. I am thinking of getting the government percentage down to 50-60% for all new contracts where we have no firm obligation in the contract. Perhaps we should let it go higher for small businesses.

We are trying to help small businesses and that is what gets us into this squeeze business. The debt limit squeeze will be with us until January."

Mr. Burgess corrected the Secretary of Defense and reminded him that the squeeze would be until March.

Mr. Wilson resumed by emphasizing that he would not want to do something like this which affects other agencies without some kind of a check with them.

The President said: "Clear this with the Budget Bureau, and they should check these steps with the affected agencies."

July 11, 1957

MEMORANDUM FOR THE PRESIDENT

FROM: Maxwell M. Rabb
Secretary to the Cabinet

SUBJECT: Agenda for the Cabinet Meeting on
Friday, July 12, 1957

This will be a very brief meeting since you have other commitments on Friday, including especially the Prime Minister of Pakistan and your departure for Operation Alert.

1. OPERATION ALERT EXERCISE Action — Secretary Wilson
Mr. Gray
Mr. Berry

At 12:00 M. on Friday the hypothetical atomic attack on the United States will come. In direct anticipation of this, several D-Day problems and proposed decisions will be set forth for Cabinet and Presidential consideration. Among them will be:

A report on the assumed military situation by the Secretary of Defense.

The Director of the Office of Defense Mobilization will discuss the D-Day Policy Assumptions (in the Documents Annex under Tab 4), the Presidential D-Day documents, and certain major policy problems in the resources field.

The Acting Administrator of FCDA will bring up for Cabinet consideration the policy alternatives with respect to strategic evacuation of our metropolitan areas.

PRESENTATION TIME: 20 minutes

2. Return of Vested German and Japanese Assets -- Payment of War Claims of American Nationals

Secretary Dulles

Two and one-half years ago the Cabinet and you approved a policy paper with respect to German assets and American war claims. This policy paper provided that there would be a limited return of German assets (with a ceiling of $10,000 for each individual) to the many small German claimants. It also provided that the remaining American war claims would be satisfied. Since at that time the funds available from the sale of the vested assets were not estimated to be sufficient to cover these two types of payments, you and the Cabinet approved spending $100 million of public funds to carry out this program. Implementing legislation was prepared, but never received any action on the Hill.

This spring, it appeared that the funds to be available from the sale of vested assets would be enough to cover the limited return and the American claims program; consequently, it was then agreed among the interested Departments that the $100 million of public funds would not be needed. The Congress still took no action; Senators Dirksen and Johnston, however, pressed for a more liberal return program.

Now, Chancellor Adenauer, just beginning a crucial re-election campaign, has again pressed the U. S. Government very vigorously for a fuller return of vested German assets.

Although the funds now estimated to be available from the sale of vested assets would comfortably cover the original limited return and claims programs, the Secretary of State considers it highly important from the viewpoint of our relations with Germany and the success of Dr. Adenauer's campaign that we promptly announce a new policy of fuller return and submit implementing legislation to the Congress this session. This expanded program, however, will again require the expenditure of $100 million from public funds (i.e., from the repayments which Germany is making on some of our foreign aid to her.)

Because this proposal would cost an additional $100 million of public funds, the Director of the Bureau of the Budget is firmly opposed to such an expanded program of indemnification, and points out that the German recipients would be chiefly a few large corporations.

The Attorney General is believed to be in general sympathy with the Secretary of State's proposal.

A Cabinet Paper, embodying State's proposal and Budget's dissent, is attached under Tab 5.

PRESENTATION TIME: 15 minutes

NATIONAL ARCHIVES AND RECORDS SERVICE

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

[illegible]	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
[illegible]	Record of Action for mtg. 7/19/57	7/19/57	A
[illegible]	~~[illegible] Meeting re Operation Alert 1957~~ Declassified per NLE 76-127 #11 7/13/77 [illegible]	~~7/19/57~~	A
[illegible]	Goodpaster to DDE re Operation Alert	7/19/57	A
[illegible]	Gordon Gray to Max Rabb	7/20/57	A
[illegible]	DDE on Operation Alert 1957	7/19/57	A

RESTRICTION CODES

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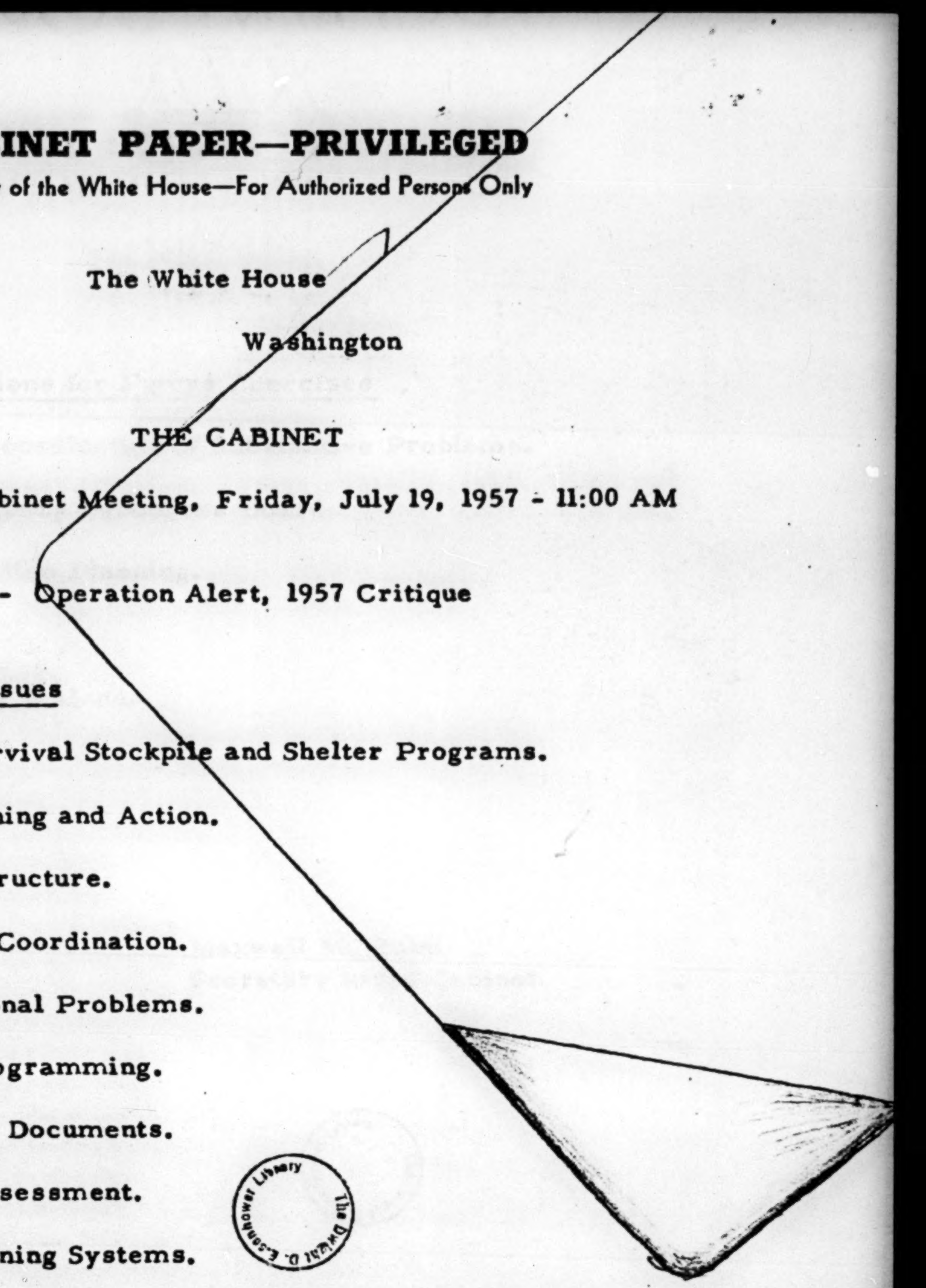
THE CABINET

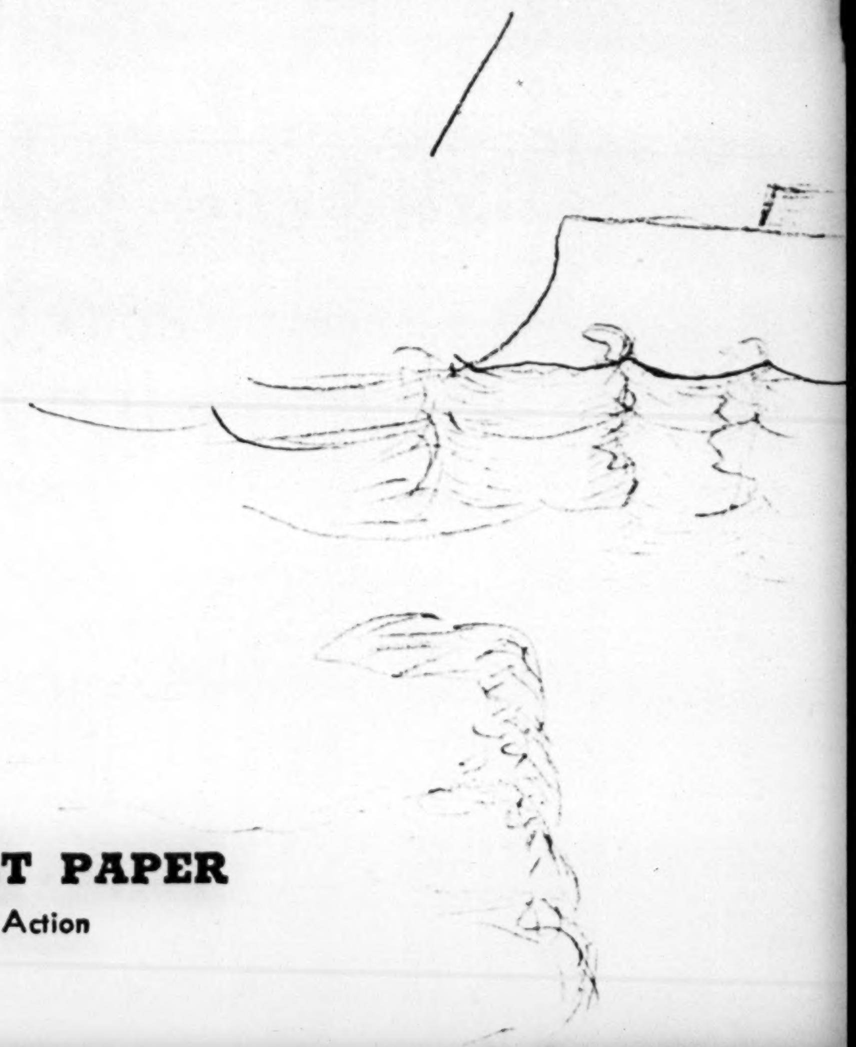
Expanded Cabinet Meeting, Friday, July 19, 1957 - 11:00 AM



Agenda - Operation Alert, 1957 Critique

A. Problems and Issues

1. Civilian Survival Stockpile and Shelter Programs.
2. Local Planning and Action.
3. Regional Structure.
4. Top-Level Coordination.
5. Organizational Problems.
6. Central Programming.
7. Emergency Documents.
8. Damage Assessment.
9. Attack Warning Systems.
10. Emergency Agencies and the List of Essential Functions.
11. Domestic Economic Policy.
12. Foreign Economic Policy.
13. Transportation.
14. Production Statistics.
15. Financing.
16. Morale Factors.
17. Families.
18. Fallout.
19. Communications.



CABINET PAPER

For Action

B. **Recommendations for Future Exercises**

1. Time for Coordination of Substantive Problems.

2. The Emergency Resources Board.

3. U.S.-Canadian Planning.

4. Records.

5. Interagency Liaison.

Maxwell M. Rabb
Secretary to the Cabinet

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By BHC NLE, Date 7-12-77

MINUTES OF CABINET MEETING

July 19, 1957
11:00 A.M. -- 12:15 P.M.

The following were present:

President Eisenhower

Sec. Dulles
Sec. Humphrey
Sec. Wilson
Deputy Atty Gen Rogers
  (for Mr. Brownell)
Mr. Summerfield
Sec. Seaton
Under Sec. True Morse
  (for Sec. Benson)
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage
Mr. Gordon Gray
Chrm. Ellsworth
Dr. Saulnier

Gov. Adams
Gen. Persons
Mr. Rabb

Gen. Goodpaster
Capt. Aurand
Gen. Cutler
Maj. John Eisenhower
Mr. Hagerty
Mrs. Wheaton
Mr. Morgan
Dr. Hauge
Gov. Pyle
Mr. McPhee
Mr. Patterson
Mr. Minnich

Under Sec. Commerce Rothschild
Mr. Albert Cole, HHFA
Mr. Lewis Berry, FCDA
Gen. Hershey, Selective Service
Mr. Wade McCoy, ODM
(and a number of other representatives of agencies participating in the Exercise)

Operation Alert 1957 - Mr. Gray characterized the Operation as extremely successful in having served to train people in and out of the Government in work that would have to be done in an emergency, in forwarding progress on the actual mobilization programs of the agencies, and in providing guidance for future Exercises and solutions to pending problems. He noted that certain artificialities, like the 15-day period assumed to have occurred between Friday and Monday, had created some difficulties. He noted that this Exercise had shown a better field follow-up on Presidential decisions, better communications, and a greater capability for determining remaining problem areas.

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Mr. Gray then reviewed the list of questions raised by the Exercise (Record of Action, July 19), paying special attention to the appearance of the question of sharing resources with our allies and the problem of whether the Administration should now adopt clearly a policy of proclaiming martial law in any such emergency. He noted that the cost of the Exercise itself had been $1.6 million.

Sec. Dulles, invited to comment, pointed to the need for better liaison between Defense and State. In connection with providing resources to our allies, he believed it might be worthwhile to stockpile food in mothballed ships nearly ready for transport overseas. He believed greater attention must be given to making clear the objectives for which the United States would be fighting, particularly as related to US approaches to neutral nations. The President inquired as to whether Sec. Dulles was ready to authorize in such an emergency the cutting off of all Embassy communications. Mr. Gray believed such authority was given in the pertinent executive order. The President wanted Sec. Dulles to look at it more closely with specific attention to diplomatic communications of all nations represented in the United States.

Mr. Berry noted how the Exercise targets had been selected by state and local Civil Defense people for the purpose of testing and training as many Civil Defense personnel as possible. He pointed out how under such an attack certain geographical areas might have to be abandoned for many years. He commented that at least nine to twelve months would be required for any crash emergency shelter program to show appreciable results. He specified as needing particular attention the matter of state and local planning for survival and continuity of government. He concluded with a hope that the Bureau of the Budget would not in the future attempt to limit FCDA funds to the amounts that could be immediately used on the basis of estimates of availability of supplies.

For Defense Sec. Wilson noted the impossibility of accomplishing a big mobilization shortly after an attack and the need for recognizing that the fight would have to be carried on with the forces already in being. He asserted that any expansion prior to attack would have to be begun at least six months ahead. He urged, in view of the attention given during the Exercise to a crash shelter program, that attention be given equally to the desirability of putting the necessary funds to use in defensive measures.

The Postmaster General emphasized the need for priorities for the postal service, suggested the possibility of making advance provision for alternate postal facilities in all areas of the country, and cited the need for protecting against sabotage particularly in view of the legislative and judiciary difficulties encountered by the Post Office in its personnel security program.

Mr. Morse noted UNIVAC's confirmation of Agriculture's estimates that the Nation's continuing needs for future supplies could be met. He

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hoped that an Exercise problem could be developed covering food requirements one year after an attack. Mr. Gray stated that the problem would be arranged by the Emergency Resources Board in its continuing work through the year.

Dr. Saulnier touched briefly on basic fiscal and economic problems that remained unsolved and on the need for developing a coordinated financial control to offset the tremendous inflationary pressures in an emergency.

The President thought it impossible to have financial arrangements anything like normal in so vast an emergency situation. He felt that there would have to be resort to martial law, for it would be necessary to make and enforce regulations on even such subjects as what work would be done by whom without regard to pay. He cited Germany's ability to act when the country had no money to speak of but did have men, materials and management. He thought there would have to be other incentives than money for practically all in such a chaotic period. The Government, being a democracy and not an armed camp, would of course want to get back to customary procedures as rapidly as possible.

The President saw a morale factor in all of this, and referred to the complaint made by an ordinary citizen in a "Letter to the Editor" during the Exercise with regard to "the fat cats" being rushed out of Washington while the ordinary citizens stayed behind. In view of such factors, he was not particularly concerned over any controversies that the lawyers might engender over such a thing as resort to martial law during an Exercise -- particularly since even the lawyers would be put out of business by an attack such as was assumed for the Exercise.

Mr. Cole cited the major housing problem as whether to stockpile housing for shelter of displaced people. Gen. Hershey hoped that reporting techniques would be focused on remaining capacity for recovery rather than on damage done. He urged that greater attention be given to training people of the right age group, since the bulk of the people who have had training are getting into the older age brackets.

Mr. McCoy, speaking for the Stabilization Agency, indicated that its field organization is not yet adequate effectively to bring together materials and management. Mr. Rothschild stated that the Exercise had shown the impossibility of operating any emergency transportation system from a central point. Rather, the country must depend on many decentralized impromptu and hastily organized systems.

The President concluded the critique by noting how an Exercise like this stimulated useful thinking and how it would be desirable to get

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private industry active on many of the little "practical" problems such as perhaps designing a small air purifier for use by individuals. He urged all who participated to pass on to Mr. Gray any ideas they had whether on large problems or small, and whether or not immediately related to their own formal responsibilities. He thanked all who participated -- and then jokingly instructed someone to tell the writer of the "Letter to the Editor" that John Q. Citizen was evacuated two hours before the attack!

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2)✓
Mr. Rabb
Mr. Minnich

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7/19

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TO UUEFTH/JUS PERSONAL FOR MR. ROGERS
UUEFHG/AGL, PERSONAL FOR ACT SECY MORSE
UUEFMD/CSC, PERSONAL FOR MR. ELLSWORTH
UUEFGJ/AEC, PERSONAL FOR ADMIRAL ~~STRAUSS~~ Libby
UUEFYD/DOD, ~~PERSONAL FOR ADMIRAL RADFORD~~
ZEN/DA, PERSONAL FOR SECY BRUCKER
UUEFIN/NAVY, PERSONAL FOR SECY GATES
UUEFZD/AF, PERSONAL FOR SECY DOUGLAS
UUEFJV/CIA, PERSONAL FOR MR. DULLES
ZEN/PERSONAL FOR CHAIRMAN SAULNIER
UUEFHG/PERSONAL FOR THE ADMIN FCA• Governor, Farm Credit, R.B. Tootell
UUEFZU/FBI, PERSONAL FOR DIR HOOVER
UUEFQS/FCC PERSONAL FOR THE CHAIRMAN • Hon. Geo. C. McConnaughey, Chr.
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UUEFTC/FPC, PERSONAL FOR THE CHAIRMAN • Hon. Jerome K. Kuykendall
UUEFFK/FRB, PERSONAL FOR THE CHAIRMAN Hon. William McC. Martin, Jr.
UUEFLB/GSA, PERSONAL FOR MR. FLOETE
UUEFEQ/HHFA, PERSONAL FOR MR. COLE
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UUEFEQ/NSF, PERSONAL FOR DR. WATERMAN
UUEFJV/NSC, PERSONAL FOR GENERAL CUTLER
UUEFVT/SBA, PERSONAL FOR MR. BARNES
UUEFYL/USIA, PERSONAL FOR MR. LARSEN
UUEFUJ/VETS 0349,-) 194 .4. HIGLEY
UUEFYP/SSS, PERSONAL FOR GENERAL HERSHEY
UUEFDN/LAB, PERSONAL FOR THE DIR, FED MEDIATION AND CONCILIATIONSERV
UUEFZM/COMEX, PERSONAL FOR THE CHAIRMAN CIVIL AERONAUTICS BOARD
UUEFER/ESA, PERSONAL FOR THE DIR ESA• Phelps
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COPY FOR GEN PERSONS
COPY FOR GEN GOODPASTER
COPY FOR CAPT AURAND
COPY FOR MR. HAGERTY
COPY FOR MR. MORGAN
COPY FOR MR. RABB
COPY FOR MAJ. JOHN EISENHOWER
COPY FOR MRS. ANNE WHEATON
COPY FOR MR PATTERSON
UUEFKV/CAMP DAVID, COPY FOR MR. MINNICH
GRNC
BT

IN REPLY CITE SSU 9252 YOU ARE INVITED TO ATTEND THE EXPANDED MEETIN
G
OF THE CABINET WHICH WILL BE HELD ON FRIDAY, JULY 19, 1957, AT 11:00 EDT IN THE CABINET ROOM OF THE WHITE HOUSE.

THE AGENDA FOR THE MEETING WILL INVOLVE THE FOLLOWING. THE BASIC INITIAL PRESENTATION OF THE MEETING BY MR. GRAY WILL BE LARGELY DERIVED FROM THE EVALUATION REPORTS WHICH THE SEVERAL AGENCIES, INCLUDING YOURS, ARE NOW SUBMITTING TO OER IN ACCORDANCE WITH THE ESTABLISHED PROCEDURES FOR THE EXERCISE.

THE PRESIDENT HAS ASKED THAT WE SHOULD "TAKE STOCK OF MAJOR UNRESOLVED POLICY QUESTIONS." THE SINGLE PURPOSE OF THIS MEETING,

CFN 9252 19 1957 11:00

PAGE TWO UUEFHP 24C

THEREFORE, WILL BE TO ENGAGE IN A CAREFUL, SUBSTANTIVE CRITIQUE OF THE MAJOR PROBLEMS REVEALED BY OPERATION ALERT, 1957.

WHAT IS DESIRED IS NOT RECITATION OF ACTIONS TAKEN OR ACCOMPLISHEMENTS, BUT RATHER A FOCUSSING OF DISCUSSION ON SIGNIFICANT QUESTIONS OF POLICY, OF CABINET CALIBRE, AND CONSTRUCTIVE PROPOSALS WHICH NEED TO BE EXAMINED NOW AND IN THE MONTHS OF CONTINUED PLANNING IN THE FUTURE. YOU MAY BE CALLED UPON TO MAKE REMARKS OF THIS NATURE, GIVING YOUR OWN PERSONAL VIEWS, AND IF SO, IT IS RESPECTUFLLY REQUESTED THAT THESE REMARKS DO NOT EXCEED TWO MITES.

IT IS, OF COURSE, EXPECTED THAT THROUGH CONFERENCES AND PERSONAL VISITS TO RELOCATION SITE YOU WILL BE FULLY COGNIZANT OF PROBLEMS OF THIS NATURE FROM YOUR AGENCY'S PERSPECTIVE.

PLEASE CONFIRM RECEIPT OF THIS MESSAGE, VIA YOUR RELOCATION SITE, TO MR. BRADLEY H. PATTERSON, JR., AT THE WHITE HOUSE LIAISON OFFICE, AUBURN, EXTENSIONS 532 OR 533.

BT

CFN 1957 532 533

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THE WHITE HOUSE
WASHINGTON

July 19, 1957

MEMORANDUM FOR THE PRESIDENT

At the critique meeting this morning it is suggested that you open by calling on Mr. Gordon Gray. He will give a concise breakdown of the major problems which this exercise revealed as needing attention.

Attached is a check list of the problems which he will mention -- as an aid in focusing the subsequent discussion.

Following Mr. Gray's presentation, he will call upon several of the members of the Cabinet and two or three heads of major agencies to speak for less than two minutes each on the policy problems which they have encountered.

You may want to conclude with some remarks of your own.

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

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July 22, 1957

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THE CABINET

Agenda

10:00 AM, Wednesday July 24, 1957

1. Report on the International Situation	(Oral)	The Secretary of State
2. Return of Vested German and Japanese Assets -- Payment of War Claims of American Nationals	CP- 57-12/1	The Secretary of State
3. Report of the Special Cabinet Committee on Crude Oil Imports	(Oral)	The Secretary of Commerce
4. Preparations for the Forthcoming Meeting of the Joint Federal-State Action Committee	(Oral)	The Honorable Meyer Kestnbaum
5. The Legislative Program	(Oral)	The Deputy Assistant to the President

Maxwell M. Rabb
Secretary to the Cabinet

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For Action

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MINUTES OF CABINET MEETING

July 24, 1957
10:00 A. M. -- 11:35 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Humphrey, and
  Mr. Robert Anderson
Sec. Wilson
Deputy Atty Gen Rogers
  (for Mr. Brownell)
Mr. Summerfield
Sec. Seaton
Asst. Sec. Ervin Peterson
  (for Sec. Benson)
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage, and
  Mr. Arnold Jones
Mr. Gordon Gray (in part)
Chrm. Ellsworth
Dr. Saulnier

Mr. Arthur Larson, USIA
Deputy Under Sec. of State
  Douglas Dillon
Mr. Meyer Kestnbaum

Gov. Adams
Gen. Persons
Mr. Rabb
Mr. Hagerty
Mr. Shanley (in part)
Gen. Cutler
Gen. Goodpaster (in part)
Major Eisenhower
Mr. Morgan (in part)
Dr. Hauge
Mr. Martin
Mr. Jack Anderson
Mrs. Wheaton
Mr. Patterson
Mr. Minnich

Vested German Assets (CP 57-12/1 and Supplements A and B) - In presenting the State Department recommendations as set forth in the Cabinet paper, Sec. Dulles emphasized how the whole principle of sanctity of private property in time of war was involved. He also noted how it would be helpful to our relationships with Germany if, assuming the action will sometime be accomplished, something could be done about it within the month. He pointed out that Treasury did not favor the action because of the charge that would be made against the closely balanced budget and the difficult debt situation. In response to Sec. Wilson, he stated that action must of course wait upon legislation but that an Administration statement of intent would serve the cause.

The President, after noting Sen. Smathers' correspondence in opposition to such a proposal, suggested that the action contain a proviso which would limit the amounts that could be paid for lawyers' fees such as the proviso that governed similar activity after World War II.

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Acting Attorney General Rogers stated Justice's belief that the Administration ought not to make any change in the position taken last April for return of vested German assets up to a limit of $10,000. If action should be taken, he hoped that a rash of court actions could be avoided by transferring to the German Government the responsibility of adjudicating and paying specific claims.

Sec. Humphrey spoke against the proposal on the basis that Germany was not poverty-stricken and that the United States would lose more than it would gain from an expansion of the program. Sec. Dulles replied with emphasis on the value to the United States to be considered as a country where it is safe to have private property.

Sec. Humphrey and Mr. Brundage urged that any action to be taken be based on a separate appropriation rather than on a diversion of funds from GARIOA payments.

The President ascertained the procedure that would be followed in carrying out payments and the extent to which "instructions" pertaining to German payments would be appropriate. Then he expressed his belief that the Administration ought to submit this proposal to the Congress as the only solution the Administration could find for a very vexing problem. He did not wish the United States to violate its traditional devotion to the sanctity of private property. After further discussion, he repeated his belief that the proposal should be submitted to Congress.

It was agreed that State would develop a statement in coordination with Justice for early release, and that Justice would be responsible for the legislation. It was further agreed that the matter would be taken up with the Leadership prior to any release.

The Secretary urged that every effort be made to avoid any leakage of the proposed action. At this reference to leaks, the President asked whether any Cabinet members would object if he called in J. Edgar Hoover to look at some of these leaks which he found very exasperating. He cited a recent experience pertaining to a private query of his about certain provisions of the Cordiner report, a query which was recounted in the press very promptly. Sec. Dulles thought that such a request to the FBI would itself become known and cause great furor. The President, after stating his belief that Mr. Hoover at least ought to be able to operate without publicity, commented that he heard no objections and felt free to go ahead.

Consumer Price Index - Sec. Mitchell reported that another rise in the price index was in sight, resulting mainly from the cost of food and housing. He requested guidance as to whether new base years might be established for the index so as to make it more realistic. He also expressed his hope that funds might be found for a study on purchasing patterns, which have changed considerably over the years and which need to be analyzed if the index is to be kept very accurate. Sec. Humphrey agreed that this study ought to be made but he cautioned against

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effecting any change near an election period. Sec. Mitchell commented that the study would require several years. The President thought that Sec. Humphrey ought to be able to find somewhere the small amount of money necessary.

Secretaries Wilson and Mitchell commented on the pace of inflation and hoped that the Administration could develop means of checking it. Sec. Humphrey opposed the establishment of any formal Cabinet Committee to study it but hoped that the President would ask three or four people to focus on the problem and see if any recommendations might be brought back to the Cabinet for consideration. He felt, however, that as long as supplies remained short in the face of the demands of a highly prosperous country there would continue to be a tendency toward inflation. The President thought it might be helpful if the Government were to publish, on the basis of existing statistics and indices, some new combinations of statistics that would show costs of production of various items. Sec. Folsom noted hopefully that the vast increase in productive capacity would eventually force prices down.

International Situation - Sec. Dulles noted briefly (1) Canadian concerns over American programs for surplus wheat disposal and for zinc and oil; (2) the possibility of securing at the Buenos Aires Economic Conference a multilateral declaration on economic development; (3) the potential obstacles to a disarmament agreement that would stem from differences over the period during which atomic testing would be suspended and from "stockpiling limitations", and also from Russian dislike of inspection and control procedures that would reduce their secrecy; and (4) the continuing precarious situation in the Mid-East so long as rivalries are unreduced between Israel and the Arabs, and so long as the British remain on the fringe of the Arabian peninsula.

Oil Imports - Sec. Weeks gave a preview of the forthcoming report of the Cabinet Committee. He noted the Committee's tentative conclusion that the anticipated level of imports for the balance of 1957 would threaten national security. He believed the Committee would recommend a voluntary plan for limiting imports which would still provide opportunity for new companies to enter the field. While the Cabinet Committee was not about to recommend specific controls, he felt that should the voluntary system fail the Cabinet Committee would have to undertake to develop mandatory controls.

The President asked if the Committee had decided that a tariff would be useless as a means of controlling imports. Sec. Dulles asserted that a tariff would be the worst possible measure from a security standpoint since it would keep out Canadian and Venezuelan oil but let in Arabian oil -- a development that would make the United States dependent on Mid-East oil. Sec. Weeks set forth various possible measures of control, and Sec. Dulles noted the different objections to them from a foreign relations point of view.

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Cabinet Minutes, July 24, 1957 - page 4

Federal State Task Force - Mr. Kestnbaum outlined the mission of the Joint Committee on Federal State Relations, and emphasized that the Federal Government would have to turn back to the States certain taxes if anything is to be accomplished. He mentioned several areas of Federal activity which offered the greatest potential for changes. These would be explored by the Task Force so as to identify specific programs. He hoped that Cabinet members would offer their suggestions to help this process along. He did not foresee a very large end product from the work of the Joint Committee, but it would have perhaps the very great merit of stopping the trend away from State activity toward Federal activity.

Legislative Review - Gen. Persons indicated that the legislative charts contained all the major measures recommended by the Administration. He quickly reviewed indications recently received from the Leadership as to the possibility of action on them this session. He requested Cabinet members to inform the White House very promptly if anything had been overlooked.

* * * *

The President concluded the meeting -- the last which Sec. Humphrey would attend -- by inviting Mr. Humphrey to make a speech on economy. The Secretary could not recall anything that he had left unsaid!

LAM
L. A. Minnich, Jr.

Copies to:
- Mrs. Whitman (2) ✓
- Mr. Rabb
- Mr. Minnich

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RA - 57-81

July 24, 1957

The White House

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THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Wednesday, July 24, 1957:

1. Return of Vested German and Japanese Assets -- Payment of War Claims of American Nationals — CP - 57-12/1 and Supplements A and B

ACTION: a) The papers, discussion and decision on this matter are to be kept completely confidential, in order that there will be no premature publicity concerning the subject.

b) All copies of Cabinet Paper 57-12/1 and Supplement B are to be returned immediately to the Secretary to the Cabinet, plus all copies of Supplement A other than one each for the Secretaries of State and Treasury, the Attorney General and the Director of the Bureau of the Budget personally.

/ For other action under this item a separate Record of Action has been circulated to the Cabinet Members concerned. /

2. Report on the International Situation

(Information Item Only)

3. Report of the Special Cabinet Committee on Crude Oil Imports

ACTION: The President and the Cabinet noted without objection Secretary Weeks' description of the tentative conclusions of the Cabinet Committee and noted further his statement that the Committee would soon complete its final report for the President's decision.

4. Preparations for the Forthcoming Meeting of the Joint Federal-State Action Committee

ACTION: a) The President and the Cabinet noted Mr. Kestnbaum's outline of the scope and dimensions of the activities projected for the new Committee, and their functional and fiscal implications, it being understood that specific proposals will be carefully developed in the near future.

b) Cabinet members are invited to make suggestions as to activities which should be considered by the Committee.

CABINET PAPER
For Action

(Corrected Page 1)

THE WHITE HOUSE
WASHINGTON

July 23, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Wednesday, July 24, 1957

The following are the items listed on the Cabinet Agenda for Wednesday morning:

1. Return of Vested German and Japanese Assets -- Payment of War Claims of American Nationals (Secretary Dulles)

Two and one-half years ago the Cabinet and you approved a policy paper with respect to German assets and American war claims. This policy paper provided that there would be a limited return of German assets (with a ceiling of $10,000 for each individual) to the many small German claimants. It also provided that the remaining American war claims would be satisfied. Since at that time the funds available from the sale of the vested assets were not estimated to be sufficient to cover these two types of payments, you and the Cabinet approved spending $100 million of public funds to carry out this program. Implementing legislation was prepared, but never received any action on the Hill.

This spring, it appeared that the funds to be available from the sale of vested assets would be enough to cover the limited return and the American claims program; consequently, it was then agreed among the interested Departments that the $100 million of public funds would not be needed. The Congress still took no action; Senators Dirksen and Johnston, however, pressed for a more liberal return program.

Now, Chancellor Adenauer, just beginning a crucial re-election campaign, has again pressed the U. S. Government very vigorously for a fuller return of vested German assets.

Although the funds now estimated to be available from the sale of vested assets would comfortably cover the original limited return and claims programs, the Secretary of State considers it highly important from the viewpoint of our relations with Germany and the success of Dr. Adenauer's campaign that we promptly announce a new policy of fuller return and submit implementing legislation to the Congress this session. This expanded program, however, will again require the expenditure of $100 million from public funds (i.e., from the repayments which Germany is making on some of our foreign aid to her).

Because this proposal would cost an additional $100 million of public funds, the Director of the Bureau of the Budget is firmly opposed to such an expanded program of indemnification, and points out that the German recipients would be chiefly a few large corporations.

A Cabinet Paper, embodying State's proposal and Budget's dissent, is attached under Tab 1, together with a supplementary paper summarizing the Secretary of State's views.

ESTIMATED PRESENTATION TIME: 25 minutes

2. Report on the International Situation (Secretary Dulles)

In order to keep the members of the Cabinet informed on major developments in foreign affairs, the Secretary of State will, as he does from time to time, give the Cabinet a brief round-up report, including discussion of:

a. The disarmament negotiations.

b. The Mutual Security Program.

c. The new Canadian Government and our relations with Canada.

d. The forthcoming Rio Economic Conference.

PRESENTATION TIME: 15 minutes

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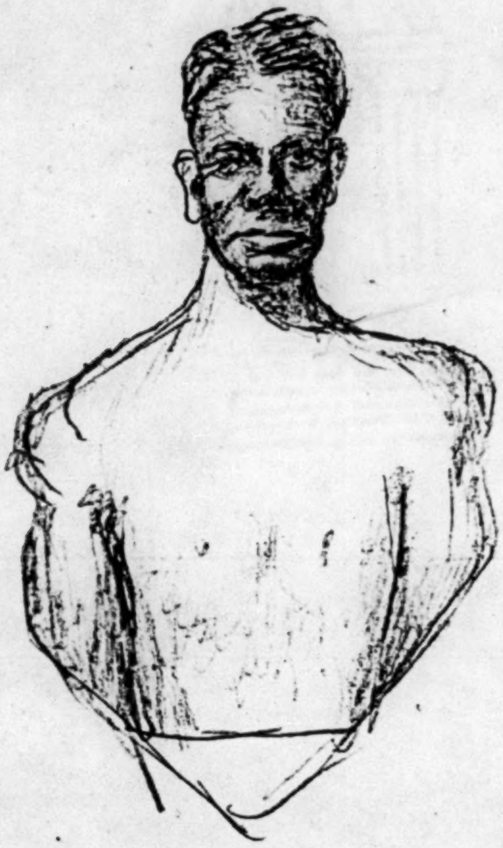

3. Report of the Special Cabinet Committee on Crude Oil Imports (Secretary Weeks)

On June 26, 1957 you established a special Cabinet Committee to make an investigation "to determine the facts as to whether crude oil is being imported into the United States in such quantities as to threaten to impair the national security."

This Committee (Secretary Weeks, Chairman, State, Defense, Treasury, Interior, and Labor) has been meeting frequently in recent weeks, and will present a report to you and the Cabinet.

ESTIMATED PRESENTATION TIME: 15 minutes

4. Preparations for the Forthcoming Meeting of the Joint Federal-State Action Committee (Mr. Kestnbaum)

Mr. Kestnbaum has emphasized how important it is going to be that the Cabinet members participating in the Federal-State Committee be thinking ahead about the policy questions with which they will shortly be faced, since the Committee is holding its first meeting on Tuesday, August 6th. The Treasury Department (and the Administration) for instance, must consider whether the government should relinquish some of its authority to levy inheritance taxes in order that the States may pick up this source of revenue. Likewise, the Department of Health, Education, and Welfare should review certain of its programs, namely, its cash contributions to the school lunch program and its vocational education undertakings. The first meeting of the Joint Federal-State Action Committee itself will be on August 9-10. We should do everything we can to achieve and keep up the Administration's momentum so that the project can go forward successfully. Mr. Kestnbaum will set forth some of the specific subjects, including those mentioned above, for these important meetings.

PRESENTATION TIME: 15 minutes

5. The Legislative Program (General Persons)

As you have recently suggested, General Persons will sum up the prospects for the Administration's legislative program for the remainder of this session of Congress.

PRESENTATION TIME: 10 minutes

✓

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

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CP - 57-12/1
Supplement B

July 23, 1957

The White House

Washington

THE CABINET

Statement from the Department of Justice of Cash and Unliquidated Assets Less Reserves for Claims and Litigation as of June 30, 1957

For consideration, attached are figures which represent the latest data of the Office of Alien Property concerning the status of the assets which are the subject matter of Cabinet Paper 57-12/1.

Attached also is a statement with respect to a proposal for a return of up to $20,000. Coupled with this is a memorandum giving an analysis of the 1452 accounts in the Office of Alien Property which exceed $20,000.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

STATEMENT OF CASH AND UNLIQUIDATED ASSETS LESS RESERVES FOR CLAIMS AND LITIGATION AS OF JUNE 30, 1957

Cash on hand:		$137,000,000
Unliquidated Assets (Estimated values)		
General Aniline & Film Corp.	$100,000,000	
Other Business Enterprises	11,000,000	
Estates and Trusts	6,000,000 1/	
Miscellaneous Securities	4,000,000	
Real Estate and Personal Property	1,000,000	122,000,000
Total Cash and Unliquidated Assets - June 30, 1957		$259,000,000
Reserves:		
General Litigation	$ 20,000,000	
Intervenor suits against vested shares of General Aniline & Film Corp.	25,000,000 2/	
Administrative Claims	50,000,000	
Transfer to War Claims Fund for payment of awards made by Foreign Claims Settlement Commission	6,000,000	
Intercustodial Settlements	3,000,000	
Total Reserves		$104,000,000
Estimated Free Balance		$155,000,000 3/

1/ This does not include any realizations from Estates and Trusts vestings beyond June 30, 1959.

2/ Estimated value of maximum General Aniline and Film Corporation vested shares involved in intervenor suits.

3/ This includes $75,000,000 as the estimated value of the free General Aniline and Film Corporation vested shares.

Re: $20,000 Return Proposal

The present Administration bill provides for a return not to exceed $10,000 each to former owners of vested property. This bill would result in a full return to 30,335 (92%) of the pre-vesting owners at a cost of approximately $65,000,000 or 14.7% of the vested assets.

If the amount of the return is increased from $10,000 to $20,000, it would result in a full return to 31,515 (95.6%) of the total pre-vesting owners at a cost of approximately $84,000,000 or 19.1% of the vested assets. The $20,000 proposal would cost about $20,000,000 more than a $10,000 return and would pay in full an additional 1180 former owners. These 1180 former owners would benefit to the extent of about $5,000,000. However, there are 1452 accounts with amounts over $20,000. The former owners of each of these accounts would benefit to the extent of the full $10,000 increase or a total of about $14,500,000. Thus, you will note that the owners of the large accounts in the Office would be the real beneficiaries of a $20,000 return bill.

The number of accounts maintained in the names of corporations or other business enterprises is estimated to be less than 2% of the total number of accounts.

The current $10,000 return proposal is the result of the President's desire to help individuals in straitened circumstances in Germany for whom the operation of the vesting program in this country created particular hardships. His sympathy for such persons is expressed in his letter of August 7, 1954 to Chancellor Adenauer in which he said:

> "I * * * share your sympathy with individuals in straitened circumstances in Germany for whom the operation of the vesting program in this country created particular hardships. I am hopeful that it may be possible to take some remedial measure of compensation to those American nationals who incurred losses arising out of the war, with resultant hardship in many cases."

The $10,000 proposal to natural persons appears to be a very liberal allowance within the concept of hardship cases. Corporations and business enterprises are not considered as the "individuals in straitened circumstances" referred to in the President's letter.

The Administration bill submitted to the present Congress provides for a $10,000 return of German and Japanese assets as an act of grace and for a program for the payment of war claims of American nationals against Germany. Both of these programs would be financed from the liquidation of vested assets. The estimated American war damage claims and the estimated cost of a $10,000 return program together exceed the total of the funds presently available or expected to become available from vested property. Any increase of the $10,000 figure or the inclusion of corporations and other business enterprises in a return program would be outside the scope of hardship cases and would reduce the funds available for payment to American war damage claimants. A $20,000 return to all pre-vesting owners would deprive the American war damage claimants of about $20,000,000 more than the $10,000 return sponsored by the Administration or a total of approximately $84,000,000 of available assets.

MEMORANDUM

Office of Alien Property

Department of Justice

Analysis of the 1452 accounts over $20,000

The largest of the 32,967 accounts in the Office of Alien Property is that of I. G. Farbenindustrie with a value of approximately $110 million, including $100 million as the value of the vested General Aniline & Film Corporation stock. It should be noted that no program combining substantial compensation of American war damage claimants with partial return to former enemy owners would be possible without the sale of the stock which is free of intervenors' claims and the use of the proceeds of sale in the program.

Set forth below is a breakdown of the 1452 accounts over $20,000, including the I. G. Farbenindustrie account. In using these figures in connection with possible programs of war damage compensation and partial return, the figures in the right-hand column are subject to adjustment for past and future costs of administration.

Amount in account		Number of accounts	Aggregate amount
$110,000,000		1	$110,000,000
10,000,000-	$110,000,000	6	125,500,000
1,000,000-	10,000,000	39	108,200,000
500,000-	1,000,000	43	29,500,000
100,000-	500,000	263	53,500,000
50,000-	100,000	311	24,250,000
20,000-	50,000	789	28,400,000
		1452	$479,350,000

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ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 8-11-76

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MINUTES OF CABINET MEETING

August 2, 1957
9:00 A. M. -- 10:45 A.M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. Herter
(for Sec. Dulles)
Sec. Robert Anderson
Sec. Wilson
Deputy Atty Gen Rogers
(for Mr. Brownell)
Mr. Summerfield
Asst. Sec. Aandahl
(for Sec. Seaton)
Under Sec. True Morse
(for Sec. Benson)
Sec. Weeks
Under Sec. O'Connell
(for Sec. Mitchell)
Sec. Folsom

Director Brundage, and
Mr. Arnold Jones
Mr. Gordon Gray
Chrm Ellsworth
Dr. Saulnier

Adm. Strauss
Mr. Leo Hoegh, FCDA
Sec. Quarles
Mr. John Patterson, Veterans
Administration
Mr. Albert Cole, HHFA (in part)
Dr. Alan Waterman, National
Science Foundation (in part)
Dr. Hugh L. Dryden (in part)
Mr. Neil Carothers (in part)

Gov. Adams
Gen. Persons
Mr. Rabb
Mr. Hagerty (in part)
Mr. Morgan (in part)
Gen. Cutler
Dr. Hauge
Major John Eisenhower
Mr. Martin
Mrs. Wheaton
Mr. Patterson
Mr. Minnich

The President directed his opening remarks to the action the preceding evening by the Senate on the Civil Rights bill. He saw this as one of the most serious political defeats of the past four years, primarily because it was such a denial of a basic principle of the United States. The President then commented on the gallant efforts of Sen. Knowland for which he had much admiration. The Vice President and Mr. Rogers remarked on the actions of a few individuals, and the Vice President emphasized the unreality of the arguments presented by those who voted the jury trial amendment. He believed it to be merely a "cover" issue.

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E.O. 11652, Section 1
By DHC NLE, Date 8-11-76

Budget Apportionments - Mr. Brundage stated that in the action thus far to effect economies in FY 1958, only the Veterans Administration had succeeded in establishing a large reserve. He noted that Labor and HEW maintained that they would have difficulty living on their full budgets, hence reserves were not practicable. He recommended, in order to hold down expenditures so as to preserve a balanced budget and provide a surplus for tax reductions, that apportionments for the first quarter of 1958 be made on the basis of the last quarter of 1957 with seasonal adjustments, that agency heads be directed to re-submit apportionment requests, and that the Cabinet reaffirm policies set forth in previous meetings.

Mr. Brundage stated that the law neither authorized nor prohibited the Bureau of the Budget making apportionments below the levels authorized by Congress. He indicated that the Truman Administration had frequently established reserves through apportionment.

Mr. Brundage believed that something might be accomplished in the area of grants to states which are based on administrative determinations rather than any fixed formula. He asked Mr. Folsom to enumerate some of these. Mr. Folsom listed the Public Health grants as one of them, but he asserted there would be a very adverse reaction by the public if the amounts authorized by Congress were not fully used. He had the same feeling for other programs that touched the public closely, though there might not be such concern over perhaps the Rural Library program. In any of these, however, he believed that the states should be given advance notice rather than having the Administration change its policy after submission and approval of a budget. The President remarked on his dislike of such situations, where the Administration in effect loses control of programs and can influence them only by making ridiculously low requests in the expectation that Congressional increases will result in the level actually desired by the Administration. Subsequently, in discussion, the President noted that the public was not quarreling with economy these days. Mr. Folsom felt that the HEW programs were regarded differently by the public and particularly by Committee Chairmen who kept very close to the subject and were already pressing to determine what HEW action would be. He repeated his feeling that restrictive administrative actions should be made known well in advance. The President saw a difference between the interests of Committee Chairmen and the interests of an economy-minded people who want a tax reduction.

In response to Mr. Brundage's queries, Mr. Aandahl concurred in the proposed apportionment for the Bureau of Indian Affairs, and Mr. Cole did similarly with regard to the housing program where $100 million would be held in reserve.

The President remarked ironically on the failure of Congress in its actions to live up to its economy crusade undertaken so loudly at the

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E.O. 11652, Section 1
By SHC NLE, Date 4-5-77

beginning of the session. He felt, however, that the time was not far away with respect to Defense matters when Congress will make substantial cuts, hence the Administration must get prepared so as to eliminate the need for sharp fluctuations in Defense programs. He felt that reserves must be established for many reasons, including the need for having some funds available to take care of unexpected developments. Mr. Morse set forth the problem of Agriculture's public relations which seemed to be much like those of HEW. The President then commented that it was quite logical to spend less in the first quarter of a year in so far as programs were in their preparatory and initial stages. He directed Mr. Brundage to take these problems up on a case by case basis.

The discussion was concluded with Mr. Wilson's comment that he was endeavoring to hold to the figure set (see also discussion of final item).

OCB Referrals (CI 57-47) - Mr. Cutler reviewed the Cabinet paper describing the procedures for staffing through OCB any proposed public statements pertaining to nuclear energy and related matters. Mr. Herter urged that the departments effect clearances promptly when asked, since releases on this subject are so sensitive.

Basic Research (CP 57-70) - Mr. Brundage described briefly the trends of government expenditures for basic research since 1953, noting particularly the increase in the three most recent budgets. He noted that the amount for FY 1958 was set at $215 million.

Dr. Waterman, in his presentation, characterized basic research as being not impractical even though it had no set specific objectives, as enjoying a very small share of expenditures for research and development generally, and as having an unpredictable outcome but inevitably paying for itself if done on a broad scale. He presented a series of charts showing the relative participation of government, industry, and colleges; reasons for governmental support of the colleges, and the breakdown of funds available to the colleges for basic research. He concluded by noting the dilemma inherent in the problem of science and technology: unless the Nation carries on scientific and technological development it jeopardizes national security and the competitive economic strength of the country; and on the other hand, in carrying it on, the national economy is at present strained. All of this, he believed, emphasized the need for working out a satisfactory balance.

The President noted the size of the fund allocated for procurement -- much more than what went to basic research. Mr. Brundage cited missiles development as the reason.

Mr. Gray stated that the study of the Science Advisory Committee had

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E.O. 11652, Section 1
By: BHC NLE, Date 8-11-76
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produced a recommendation for increasing funds for basic research. The Committee, like Dr. Waterman, could not agree that increases for basic research would have to be dependent on reductions in other activities. For instance, he said, in regard to colleges there did not exist other activities that could be reduced.

Mr. Quarles spoke briefly on problems relating to the development of ballistic missiles and accounting procedures.

Sec. Weeks inquired as to the desirability of increasing the activity of the Bureau of Standards in regard to the science of measurement which was so essential to industrial and research developments. Dr. Waterman agreed that it ought to be increased. Mr. Wilson commented to the effect that eventually a point of extremely diminishing returns would be reached in this field. Mr. Weeks felt that in research the end was never reached.

The President concluded the item by recounting his purpose in having it so as to let everybody know what the Administration was trying to do in this field.

Orientation of Non-Career Officials (CP 57-71) - Mr. Brundage referred to the earlier recommendations for such a program to orient new officials in their specific jobs and the working of the government as a whole. He cited also the program conducted by the Defense Department. Mr. Wilson believed his program generally was successful but he would be happier if a course could be given on how to save money!

The President believed the proposal a good one, since it would help the new official to find his way through the maze of government.

Mr. Herter hoped that non-career and career diplomats who had been overseas for some time could participate in this program on returning to the United States.

School Construction Legislation - Sec. Folsom recounted at some length the pressing reasons which had led individuals like Sen. Taft, Mrs. Hobby, himself, and ultimately the Administration, to espouse an emergency school construction measure. He noted the major principles written into the Administration bill and then described the Congressional maneuvering that had caused the defeat of the bill. He emphasized that a change of only three votes would have put the measure successfully through the House. He could not be sure whether the Administration could be more successful next year.

The Vice President felt that the lukewarm attitude of professional educators had contributed to the defeat. He thought they would realize that they could not get the vast aid program they wanted and that they would begin quickly to support a limited bill wholeheartedly. Consequently, the Congress could be expected to be more favorable next year.

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E.O. 11652, Section 1
By BHC NLE, Date 8-11-76

The President noted how so much of the opposition to the measure really stemmed from an interest in fighting the graduated income tax.

National Debt Limit - Sec. Anderson reviewed in detail the narrowness of the margin by which the Administration would be under the debt ceiling, particularly next winter. He cited a number of assumptions that provided the basis for these estimates.

He recommended that the situation be presented to Congress in writing, that the Administration emphasize the great effort that it would make to remain under the debt limit, but that it might become necessary to ask Congress to come back to authorize a temporary lifting of the ceiling. He felt that the question should be discussed with the Leadership as to whether the presentation should be made to Congress formally or informally -- or indeed whether the Administration should ask for an increase in the ceiling at this time.

Mr. Brundage was not at all certain that Defense would be able to hold to the $20.8 billion figure estimated by Treasury for the first half of FY 1958. Mr. Wilson felt that Defense could hold to that even though it would be difficult since one of the six months had already gone by and it required time to make the necessary readjustments. He was not hopeful of getting below the $20.8 billion figure, even though he had directed the Services to report to him the specific actions they would take in order to operate at a level of $19 billion. He pointed out that a reduction of Defense programs would cause some 200,000 lay-offs by the industries that supply the Department. Mr. Brundage warned that failure to secure the postal rate increase, combined with an overrun by Defense, would result in failure to achieve any surplus.

There was a brief discussion of other complicating matters, such as the Government's commitment to purchase aluminum and nickel.

The President thought it might perhaps be best for Sec. Anderson to talk to the Leaders about the situation, pointing out that it would be safest for Congress to authorize an increase at this time but also emphasizing the Administration's willingness to try to get along without an increase even though this might eventuate in the need for a special session. Mr. Herter questioned the timing of such a discussion, as it might relate to Congressional action on the mutual security bill. Mr. Anderson felt that the Administration could not wait long since Congress would resent any last minute presentation.

Civil Rights - The President discussed briefly with the Cabinet a statement that he might make on the Civil Rights legislation. He felt that it would be desirable to make this very soon so as to prevent the jury trial smoke screen from completely obscuring the real situation.

L.A. Minnich Jr.
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman ✓ /
Mr. Rabb
Mr. Minnich

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RA - 57-82

August 2, 1957

The White House
Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, August 2, 1957:

1. FY 1958 Budget Apportionments

ACTION: The Director of the Bureau of the Budget will work on a case by case basis with the head of each department and principal agency to set the apportionment of FY 1958 funds at a minimum, the goal being to come as close as possible to having the first-quarter FY 1958 apportionments not exceed those of the last quarter of FY 1957 (subject to correction of seasonal variations and to the criteria contained in the Budget Director's letter on this subject to all agencies of June 28, 1957.)

2. Procedure for Staffing of Referrals Under the President's Directive of May 6, 1957

ACTION: The attention of Cabinet members personally and of their staff officers concerned with speeches and statements was specifically directed to Cabinet Information Paper CI - 57-47.

3. Basic Research CP - 57-70

ACTION: The President and the Cabinet noted the information contained in CP - 57-70 and in the accompanying chart presentation. CP - 57-70 will be recirculated as a Cabinet information paper for the general guidance of the agencies concerned.

4. Orientation of Top-level Non-career Executives CP - 57-71

ACTION: CP - 57-71 was approved, with the addition that the orientation be extended to certain top-level career officers who have been away from the United States for long periods of time.

5. The School Bill

(Information Item Only)

CABINET PAPER
For Action

ADDITIONAL ITEM:

A. Policy on the Debt Limit

ACTION: The Secretary of the Treasury outlined to the Cabinet the small margin which present forecasts indicate will exist between our financial requirements and the statutory debt limit during the next six months. The Secretary will confer further with the White House on the most appropriate means to bring to the attention of the Congressional leaders the situation with respect to the debt limit and the action which the Administration will propose.

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

July 31, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, August 2, 1957

The following items have been scheduled, subject to your approval, for the Cabinet meeting this coming Friday morning:

2 Procedure for Staffing of Referrals Under the President's Directive of May 6, 1957 (The Acting Secretary of State)

In May you approved NSC Action 1706 which made it a requirement that all oral or written public statements by U.S. Government officials concerning U.S. nuclear weapons be coordinated through the Operations Coordinating Board. To implement this directive fully, the OCB recently recommended that it be brought to the attention of the Cabinet, in order to include the widest possible circle of top officials. Mr. Herter, who is also the Chairman of the OCB, will call this matter briefly to the Cabinet's attention.

PRESENTATION TIME: 5 minutes

3. Basic Research (Director Brundage and Dr. Waterman)

On two recent occasions in the Cabinet, you asked that a study be conducted to determine the proper role of the Federal Government in encouraging, conducting, or contracting for basic research, a subject that affects a large number of the Cabinet Departments.

With the help of Dr. Waterman of the National Science Foundation, and in consultation with ODM and the Department of Defense, the Bureau of the Budget has prepared this study, including certain recommendations as guide-lines for the future. They feel that your 1954 Executive Order and statement on this subject require re-examination because research activities have expanded so phenomenally since that date.

The Cabinet paper circulated (CP 57-70) makes certain policy recommendations for your consideration.

PRESENTATION TIME: 25 minutes

5. The School Bill (Secretary Folsom)

Secretary Folsom has specifically asked for a few minutes in which he can explain to the Cabinet the reasons he sees for the failure of the school bill and the prospects for such legislation in the future. He considers the House leadership to have been less than enthusiastic about this bill. He wishes to advise the members of the Cabinet that the chances for any school bill to pass in this Congress, despite talk to the contrary, are nil.

PRESENTATION TIME: 5 minutes

4. Orientation of Top-Level Non-Career Executives (Director Brundage)

At Governor Adams' suggestion and encouragement the Bureau of the Budget has prepared a paper making an unusual new proposal: that there be a systematic series of briefings given to the top-level, non-career appointees (heads of departments, under secretaries, members of boards and commissions) upon their entrance into government. Such briefings would include participation of selected members of the White House staff. The purpose would be to give a new top-level appointee a good start toward acquiring the perspective he needs to work effectively with the White House, the Bureau of the Budget, the several Departmants and Agencies, the Congress, and with problems requiring interdepartmental coordination.

PRESENTATION TIME: 10 minutes

5. FY 1958 Budget Apportionments (Director Brundage)

At the Cabinet meeting of April 5, 1957, you asked "that an informal Cabinet Committee be established to study and propose for Cabinet consideration common techniques by which each Department can exercise tighter internal control over personnel, procurement and other expenditures, especially hiring, avoiding the imposition of any more supra-Cabinet, centralized controls and allowing for necessary flexibility and variations among the Departments because of special circumstances." The Secretary of the Treasury has been Chairman of this Committee and has, of course, worked closely with the Director of the Bureau of the Budget. Mr. Brundage is now ready to report the latest developments to you and the Cabinet with respect to the apportionment procedures which should be followed in the several Departments as FY 1958 gets under way.

PRESENTATION TIME: 10 minutes

In addition to these five listed items, the Treasury may bring up the debt limit question for decision -- since the latest figures are on hand.

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

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PRINCIPAL ASSUMPTIONS INVOLVED IN JULY 22 FORECAST OF CASH POSITION AND DEBT, FISCAL YEAR 1958

1. Budget revenues up $400 million for year over January 1957 estimate. Revenues down $400 million in period July-December and up $800 million in January-June.

2. Budget expenditures up $800 million over January estimate. This reflects current thinking of Budget Bureau staff people.

3. Budget surplus down $400 million compared with January estimate.

4. Military spending (Defense Department -- military activities, and Mutual Military Assistance) $41.8 billion, up $1.2 billion over January Budget. Assumes some reduction compared to recent levels. April-June 1957 quarter was at annual rate of about $43.2 billion.

5. Commodity Credit Corporation expenditures $3.0 billion, up $800 million over January Budget. CCC expenditures could easily run $400 or $500 million higher but this would likely affect the last half of the fiscal year.

6. Soil Bank program $600 million, down about $650 million compared with January Budget.

7. Expenditure figures do not assume enactment of school construction legislation or postal rate increases.

8. It has been assumed that the British will not draw down any of their $500 million credit from Export-Import Bank.

9. Federal National Mortgage Association, secondary market operations, would be financed substantially by sale of FNMA obligations in market.

10. Attrition on market debt refunding assumed at approximately 20% of that part of maturities not held by Federal Reserve.

11. Savings Bonds: Issue price sales $4.8 billion in fiscal year 1958; redemptions $8.3 billion, allowing for substantial cash-ins of unmatured F, G, J, K and H bonds.

12. No allowance is made for any substantial volume of market purchases for Treasury Trust and Investment accounts.

13. Figures allow about $300 million for drawing on the Treasury by International Monetary Fund.

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July 22, 1957

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FORECAST OF CASH POSITION AND DEBT, FISCAL YEAR 1958 a/

(Based on 1958 Budget Document)

(In billions)

	July 1957	Aug.	Sept.	Oct.	Nov.	Dec.	Sub-total July-Dec.	Jan. 1958	Feb.	Mar.	Apr.	May	June	Total
Budget:														
Receipts	$3.1	$5.2	$7.1	$3.2	$5.1	$6.1	$29.8	$5.2	$6.5	$10.7	$4.6	$5.7	$11.5	$74.0
Expenditures	6.6	6.0	5.9	6.1	5.9	5.9	36.4	6.2	5.8	6.1	6.1	5.9	6.1	72.6
Deficit	-3.5	-.8	-	-2.9	-.8	-	-6.6	-1.0	-	-	-1.5	-.2	-	-
Surplus	-	-	+1.2	-	-	+.2	-	-	+.7	+4.6	-	-	+5.4	+1.4
Trust Funds, etc. (net) b/	+.3	-	+.1	-.1	+.2	-.7	-.2	+.3	-.2	+.1	+.1	+.3	-1.4	-1.0
FNMA secondary market borrowing	-	+.1	-	+.1	-	+.1	+.3	-	+.1	-	+.1	-	+.1	+.6
Public debt (net) c/														
Marketable debt:														
Attrition	-	-1.0	-	-.2	-	-	-1.2	-	-1.0	-.4	-.5	-	-2.0	-5.1
Tax securities and other borrowing	+3.0	+1.5	-1.5	+3.5	+.3	+.3	+7.1	+.5	+1.2	*-3.5	+3.0	-	-3.5	+4.8
Savings bonds (net)	-.3	-.2	-.2	-.2	-.2	-.2	-1.3	-.2	-.2	-.1	-.2	-.1	-.2	-2.3
Special issues	-.3	+.6	-	-.3	+.4	+.1	+.5	-.4	+.4	-	+.1	+.8	+.9	+2.3
Other debt items	-.1	-.1	-.1	-.1	-.1	-.1	-.6	-.1	-.1	-.1	-.1	-.1	-.1	-1.2
Change in general fund balance	-.9	+.1	-.5	-.2	-.2	-.3	-2.0	-.7	+.9	+.6	+1.0	+.7	-.8	-.3
General fund balance at beginning	5.6	4.7	4.8	4.3	4.1	3.9	5.6	3.6	2.9	3.8	4.4	5.4	6.1	5.6
General fund balance at end	4.7	4.8	4.3	4.1	3.9	3.6	3.6	2.9	3.8	4.4	5.4	6.1	5.3	5.3
Operating cash balance at end (including gold) d/	3.8 4.3	4.3	3.8	3.6	3.4	3.1	3.1	2.4	3.3	3.8	4.8	5.6	4.7	4.7
Public debt outstanding:														
Beginning	270.5	272.8	273.6	271.8	274.5	274.9	270.5	275.0	274.8	275.1	271.0	273.3	273.9	270.5
Change	+2.3	+.8	-1.8	+2.7	+.4	+.1	+4.5	-.2	+.3	-4.1	+2.3	+.6	-4.9	-1.5
End	272.8	273.6	271.8	274.5	274.9	275.0	275.0	274.8	275.1	271.0	273.3	273.9	269.0	269.0
Debt subject to limit	272.5	273.3	271.5	274.2	274.6	274.7	274.7	274.5	274.8	270.7	273.0	273.6	268.7	268.7
Mid-month figures:														
Operating cash balance (including gold) d/	5.3	3.7	2.7	4.8	2.7	1.5		1.4	2.0	1.8	3.0	4.3	2.6	
Debt subject to limit	272.5	272.6	272.8	274.3	273.8	274.6		274.8	274.4	274.1	272.8	272.7	273.3	

* Represents the net of $1.0 billion new borrowing and $4.5 billion redemption of tax securities (July and August issues) in second half of March.

a/ Net cash increase indicated by (+), decrease by (-).

b/ Includes transition from accrual to cash basis for interest on public debt.

c/ Excludes exchanges.

d/ This balance differs from the General Fund Balance as it includes only Treasury accounts in Federal Reserve Banks (collected), Treasury Tax and Loan Accounts and gold in General Fund

July 22, 1957

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THE SECRETARY OF THE TREASURY
WASHINGTON

My dear Mr. Chairman:

As I assume the responsibilities of the office of Secretary of the Treasury and review the situation which confronts the Treasury for the fiscal year which began July 1st, I am concerned with the small margin which present forecasts indicate will exist between our financial requirements and the statutory debt limitation of $275 billion.

During the past three years, the Treasury has been operating under temporary year-to-year increases in this limitation -- $6 billion increases during fiscal years 1955 and 1956 and $3 billion for the year ended June 30, 1957. Even with this leeway, the effective management of Treasury financing has been difficult and, at times, more costly expedients had to be adopted to operate within the debt limit.

In part, the difficulty is caused by the seasonal peaks in collection of corporate income taxes. While the corporate collection plan has been changed by law and collections are gradually being leveled off, it will take two more years before corporate tax collections are on a relatively even quarterly basis. In the meantime, the Treasury must borrow large sums in the first half of the fiscal year (July - December) to meet expenditures and pay off such borrowing in the last half of the fiscal year. This happens even though we operate with a budget surplus, as has been the case during 1956 and 1957 and as estimated for 1958.

The best present estimates for the current fiscal year indicate that, during the period October, 1957, until March, 1958, we shall be within a few hundred million dollars of the $275 billion debt limit with, at times, very small cash balances. This not only interferes with orderly debt management but gives little margin to meet unexpected contingencies.

However, realizing the importance of keeping within the lowest practicable debt limit, we are ready to try to operate within the present limit. We can do so safely only if there is full understanding of the problem on the part of both the Executive departments and the Congress.

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Within the Administration, this matter has been discussed fully, and I can assure you that every effort will be made to operate within the President's budget.

It is possible that, despite our best endeavors, situations might develop requiring an increase in the debt limit. However, I hope that, by mutual cooperation, we can avoid that contingency.

I have felt I would be remiss in my duties if I failed to bring a current analysis of this matter to the attention of the Finance Committee of the Senate at this time. I am sending a similar letter to the Chairman of the House Committee on Ways and Means.

Sincerely yours,

Secretary of the Treasury

Honorable Harry F. Byrd
Chairman, Senate Finance Committee
United States Senate
Washington 25, D. C.

CABINET PAPER—PRIVILEGED

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CP - 57-70

July 30, 1957

The White House

Washington

THE CABINET

Basic Research

For consideration by the Cabinet, attached is an initial report on basic research and the level of government sponsorship thereof, prepared by the Director of the Bureau of the Budget in collaboration with the Director of the National Science Foundation. This paper has been prepared pursuant to the assignment in Item B of Cabinet Record of Action 57-69 of the meeting of March 11, 1957.

The report includes a summary table describing trends from 1953-1958 in all military and nonmilitary research and development expenditures by agency. Following that is an analysis of Federal funds for basic research particularly in relation to the national basic science effort and to the role of colleges and universities in the support and performance of fundamental research.

Other pertinent information will be presented orally to the Cabinet at the time this paper is considered.

The paper concludes with certain recommendations for the concurrence of the Cabinet and the approval of the President.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

CP - 57-70

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July 30, 1957

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THE CABINET

Basic Research

Background: Executive Order No. 10521, outlining the policy of the administration with respect to scientific research, was signed by the President on March 17, 1954. (A copy of this Order and the accompanying Presidential statement are attached as Annex A to this paper.)

The departments and agencies concerned (cf the second table below) have cooperated in carrying out this policy. As this table shows, however, the increases in research and development since 1954 have been of such magnitude as to require an examination of the levels of these activities which can properly be sustained by the Federal Government.

Accordingly, on March 11, 1957, at the request of the President, a Cabinet instruction was given to the Director of the Bureau of the Budget to undertake a study of the types and amounts of research paid for by the Federal Government. Subsequently, the President expressed his particular interest in basic research and in the role of college and universities in the support and performance of such research. This paper is directed primarily to these areas.

Findings: Expenditures for all federally sponsored research and development are estimated to have risen from $3.7 billion in 1953 to $6.6 billion in the 1958 Budget including substantial sums for procurement support of research, as summarized in the following table:

(In millions of dollars)

	1953 Actual	1954 Actual	1955 Actual	1956 Actual	1957 Est.	1958 Budget Est.
Military and Related Programs						
Procurement support of research and development.....	1,300	1,300	1,300	1,500	1,900	3,200
Applied research and development...............	2,052	2,016	1,977	2,159	2,425	2,610
Non-military - applied research and development............	216	214	238	305	434	593
Basic research...............	113	116	130	157	218	233
Total...............	3,681	3,646	3,645	4,121	4,977	6,636

Definition of Basic Research: Research where the aim of the researcher is a more complete understanding of the subject studied rather than a practical application thereof. (Support for such basic research by Federal agencies having practical missions is defended by the better insight it provides into solutions for their developmental programs, and the resulting new basic discoveries which make great technological advances possible.)

Basic research, as indicated above, accounts for $233 million of the estimated $6.6 billion for all research and development in 1958 or only a little over 3% of the total. While Federal funds for basic research have increased in recent years, this percentage ratio has held between 3 and 4%.

On a national basis 7 to 8% of all research and development funds from Government and Industry together are for basic research (according to fiscal year 1954 data from the National Science Foundation. This is the last year for which an adequate breakdown is available.) In that year industry, foundations, and universities provided funds for almost two-thirds of the Nation's basic research expenditures of $435 million with the balance coming from Federal Agencies.

Universities continue to be the chief centers for the conduct of basic research. In the fiscal year 1954 universities reported spending $60 million of their own funds for basic research and $28 million from other sources, excluding Federal funds. With respect to the Federal contribution, universities and Federal agencies differed in their estimates due primarily to different interpretations of the definition for basic research. During the fiscal year 1954, universities received a total of $280 million from the Federal Government for all research and development, including basic and applied research. The universities ascribed $117 million of this to basic research whereas the Federal agencies ascribed $67 million. A realistic estimate would probably be somewhere between these limits.

Discussion: Except for the support of general purpose basic research by the National Science Foundation, Federal expenditures for basic research are generally for mission-related support of agency applied research and development programs. The increased expenditures for basic research in recent years have for the most part paralleled increases in funds for applied research and development particularly under programs of the Atomic Energy Commission and the National Institutes of Health.

The support of general purpose basic research under grants from the National Science Foundation has increased substantially, since the establishment of the Foundation in 1950. This is in accordance with Executive Order 10521. In recent years the expenditures of National Science Foundation also reflect substantial support of the International Geophysical Year program which began on July 1 this year.

Statistics: Research and Development Expenditures of the Federal Government
(Including basic research, applied research and development, and related cost
Fiscal Years 1953 through 1958
(In millions of dollars)

Department or Agency	1953 Actual	1954 Actual	1955 Actual	1956 Actual	1957 Est.	1958 Budget Est.
Non-military research and development programs						
Agriculture	$55	$55	$72	$88	$102	$126
Atomic Energy Commission:						
Nuclear Power development	29	36	46	74	109	192
Research in physical and life sciences	70	71	78	87	109	123
Total, AEC (non-military)	99	107	124	161	218	315
Commerce	14	11	10	20	24	29
Health, Education, and Welfare,	65	63	70	86	148	188
Interior	35	39	32	36	44	49
National Science Foundation	2	4	9	15	42	40
All other departments and agencies	19	17	19	16	28	29
Subtotal, non-military research programs	289	296	336	422	606	776
Military and related research and development programs						
Defense:						
Research and development funds	1,412	1,385	1,397	1,495	1,540	1,580
Procurement support of development programs	*1,300	*1,300	1,300	1,500	1,900	3,200
Military personnel	*157	*157	157	188	195	239
Military construction	156	145	110	120	177	228
Total, Department of Defense	3,025	2,987	2,964	3,303	3,812	5,247
Atomic Energy (military)	288	274	271	325	484	527
National Advisory Committee for Aeronautics	79	89	74	71	75	86
Subtotal, military and related programs	3,392	3,350	3,309	3,699	4,371	5,860
Total, all research and development programs	3,681	3,646	3,645	4,121	4,977	6,636

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*Assumed same as 1955, the first year for which data are available.

Federal Participation in Basic Research:

Federal participation in basic science in fiscal year 1958 was estimated at $233 million in the 1958 President's Budget, or little more than 3% of the total of $6.6 billion estimated to be expended by the agencies on all research and development (including test, evaluation, and related activities). Based on Congressional action to date it is now estimated that $215 million will be made available for basic research in 1958, approximately the level of 1957. These funds for basic research are distributed among the Federal agencies as follows:

Estimated Expenditures for Basic Research (In millions)

Department or Agency	Fiscal Year 1957	President's Budget Fiscal Year 1958	Fiscal year 1958 current estimate
Atomic Energy Commission	$56	$60	$60
Department of Defense	31	32	32
Health, Education & Welfare	38	44	44
National Science Foundation	40	35	22
Department of Agriculture	17	20	18
National Advisory Committee for Aeronautics	15	18	16
Department of Interior	14	16	15
Department of Commerce	5	6	5
All other	2	2	2
Total, basic research	218	233	215

NOTE: Because basic research is difficult to identify throughout the Federal Government, the foregoing estimates are not precise. For example, as much as $30 million additional may be supported by the Defense Department indirectly under development and procurement contracts. In the aggregate, however, the estimates are a reasonable approximation.

Basic research of a general purpose nature is supported by the National Science Foundation. Other Federal agencies support basic research of a "mission-related" nature as called for in Executive Order 10521 on the administration of scientific research and development. Examples are fundamental studies of blood cell structure as related to cancer research, or research in metallurgy as related to jet engine development.

Private industry, universities, and foundations also make a substantial contribution to the overall support of basic research. The following data for the fiscal year 1954 gathered by the National Science Foundation show sources of funds for basic research and where these funds were spent in the performance of such research. For example, in 1954 the Federal agencies spent $158 million for basic research but only $47 million of this went for research in Government laboratories; the rest was spent chiefly under grants and contracts with iniversities and other non-governmental institutions.

	Sources of Funds for Basic Research (In millions)	Amounts Spent in Actual Performance of Basic Research
Federal Government	$158	$47
Industry	179	168
Colleges and Universities	60	205
Other organizations (private foundations, health groups, etc.)	38	14
	435	435

In 1954, the total of $435 million for basic research represented about 7 to 8 percent of all research and development expenditures from all sources throughout the country. Since 1954, this percentage is believed to have declined because of rising expenditures for large-scale development and procurement programs financed by Federal funds.

Several questions have arisen with regard to the Federal Government's support of basic research.

1. What is the Federal Government's justification for supporting basic research?

   (a) Prior to and during World War II, the United States depended heavily on the basic research of European scientists many of whom were brought to this country. Since the war the United States has recognized the need to strengthen basic research in our colleges and universities. Dr. Vannevar Bush led this movement, which resulted in the establishment in 1950 of the National Science Foundation.

   (b) A strong foundation of basic research is essential for future advances in applied research and development in weapons, atomic energy, medicine and other life sciences, agriculture, and industrial technology.

   (c) Basic research is an essential ingredient in the advanced training of scientists and engineers. Many graduate students are attracted into advanced scientific careers or given an opportunity to extend their research capabilities through employment as part-time assistants in research projects supported through Federal grants.

   (d) In March 1954, the President issued Executive Order 10521 initiated by Joseph Dodge on "Administration of Scientific Research and Development," and in an accompanying statement stressed the fact that only a small fraction of Federal funds were being allocated to basic science, adding that the Nation must extend its support of such research.

   (e) In 1955, the second Hoover Commission strongly recommended increased Federal support for basic research.

2. Is the current level of Federal support for basic science inadequate, adequate or excessive?

There is no absolute measure as to the proper level of support for basic science. If Federal funds were available to finance all meritorious projects for which applications for funds are received each year, the current Federal expenditures for basic science would be substantially increased. It therefore appears that if the Federal Government were to meet the full demands on it, present expenditures for basic research could not be considered a maximum either in absolute dollar terms or as a percentage of total research and development. For the National Science Foundation alone, funds are available in the current fiscal year to finance only about one-third of the project applications which it considers merit support and less relative support can be given in 1958 on the basis of the congressional action on the Budget.

3. Can colleges and universities assume a greater share of the cost of basic research?

Demands for funds to provide for instructional and other general educational needs, particularly in view of expanding enrollments, limit the ability of colleges and universities to devote more of their own resources to basic research.

Academic institutions are the chief centers for the conduct of basic research in this country. In the fiscal year 1954, universities reported spending for basic research $60 million of their own funds and $28 million from other sources, excluding Federal contributions.

With respect to the Federal contribution, universities and Federal agencies differed in their estimates due primarily to different definitions of basic research. During fiscal year 1954, universities received a total of $280 million from the Federal Government for all research and development -- including basic research. The universities ascribed $117 million of this amount to basic research, whereas the Federal agencies ascribed $67 million ($33 million for research centers, separate from the regular university activity, and $34 million for research in academic departments). A realistic estimate of Federal funds for basic research at the universities for that year would probably lie somewhere between these two figures.

Since 1954, Federal funds for university basic research have increased substantially although a large proportion of Federal funds going to universities continues to be used for applied research and development as the following table indicates. Furthermore the cost of basic research in certain fields has risen as the need for large scale equipment such as radio-telescopes, nuclear accelerators, and germ free laboratories has increased.

Federal Funds to Universities for Basic Research and for Applied Research and Development
(As reported by Federal agencies)

	(In millions) 1954	1958
Total Federal funds to universities	$280	$441
Research centers (Government-owned university managed)....................	135	175
Basic research.........................	33	
Applied research and development	102	
University academic departments............	145	266
Basic research.........................	34	75-85
Applied research and development	111	191-181

It is considered most improbable that, left to their own resources, colleges and universities could materially increase their financial investment in basic science. Attempts to secure an increase in industrial grants or private gifts for basic research tend to compete with already intensive efforts by educational institutions to secure large scale increases in corporate or other private giving for higher education generally. Furthermore from the institutions point of view, increasing enrollments, shortages of educational facilities, and rising costs require that they give financial priority to instructional expenses. It is for this reason universities are increasingly concerned over the fact that most Federal research grants fail to provide adequately for the overhead costs of colleges and universities.

Medical schools are already receiving direct Federal subsidies to expand and improve their research facilities, and the administration has strongly urged the further liberalization of this financial aid.

4. How much basic research should be carried on in Government laboratories?

In 1954 approximately 10 percent of all basic research expenditures in the United States were for work performed in Federal laboratories. This represented approximately one-third of the Federal Government's own expenditures in that year for basic research.

Basic research in Federal laboratories is concentrated in relatively few major laboratories, such as those of the National Advisory Committee for Aeronautics, the National Bureau of Standards, and the Naval Research Laboratory, which are primarily engaged in applied research in technical fields of special interest to the Government. As in the case of the National Advisory Committee for Aeronautics, most of these laboratories have specialized facilities not available in universities or other private laboratories. By combining basic and applied research in these Federal laboratories, the Government in many instances avoids costly duplication involved in providing specialized facilities to private contractors.

Basic research conducted in Government laboratories is also beneficial in helping to attract and retain scientists of high repute and caliber for the Government service, and to provide within Government the scientific competence and judgment needed to administer large research and development programs.

Recommendations:

(1) That all departments and agencies give consideration to the possibility of curtailing through greater selectivity further expansion of research and development activities while continuing to pursue current program policies, objectives, and missions, including the support of basic research.

(2) That Federal support of basic research, outside Government laboratories, should continue to be concentrated in the colleges and universities.

(3) That the President reaffirm the importance of basic scientific research to our national security as well as our national welfare.

(4) That the Federal Government continue to support basic research, at least at present levels, with moderate increases as reductions can be made in applied research and development within the limits of availability of competent basic research personnel. (Dr. Waterman differs with the first part of this statement, and recommends that Federal support of basic research in colleges and universities should be increased).

(5) That the President and all branches of the Government take measures to encourage industries and foundations to increase their support of basic research, especially in the universities.

EXECUTIVE ORDER

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ADMINISTRATION OF SCIENTIFIC RESEARCH BY AGENCIES OF THE FEDERAL GOVERNMENT

WHEREAS the security and welfare of the United States depend increasingly upon the advancement of knowledge in the sciences; and

WHEREAS useful applications of science to defense, humanitarian, and other purposes in the Nation require a strong foundation in basic scientific knowledge and trained scientific manpower; and

WHEREAS the administration of Federal scientific research programs affecting institutions of learning must be consistent with the preservation of the strength, vitality, and independence of higher education in the United States; and

WHEREAS, in order to conserve fiscal and manpower resources, it is necessary that Federal scientific research programs be administered with all practicable efficiency and economy; and

WHEREAS the National Science Foundation has been established by law for the purpose, among others, of developing and encouraging the pursuit of an appropriate and effective national policy for the promotion of basic research and education in the sciences:

NOW, THEREFORE, by virtue of the authority vested in me as President of the United States, it is hereby ordered as follows:

Section 1. The National Science Foundation (hereinafter referred to as the Foundation) shall from time to time recommend to the President policies for the Federal Government which will strengthen the national scientific effort and furnish guidance toward defining the responsibilities of the Federal Government in the conduct and support of scientific research.

Section 2. The Foundation shall continue to make comprehensive studies and recommendations regarding the Nation's scientific research effort and its resources for scientific activities, including facilities and scientific personnel, and its foreseeable scientific needs, with particular attention to the extent of the Federal Government's activities and the resulting effects upon trained scientific personnel. In making such studies, the Foundation shall make full use of existing sources of information and research facilities within the Federal Government.

Section 3. The Foundation, in concert with each Federal agency concerned, shall review the scientific research programs and activities of the Federal Government in order, among other purposes, to formulate methods for strengthening the administration of such programs and activities by the responsible agencies, and to study areas of basic research where gaps or undesirable overlapping of support may exist, and shall recommend to the heads of agencies concerning the support given to basic research.

Section 4. As now or hereafter authorized or permitted by law, the Foundation shall be increasingly responsible for providing support by the Federal Government for general-purpose basic research through contracts and grants. The conduct and support by other Federal agencies of basic research in areas which are closely related to their missions is recognized as important and desirable, especially in response to current national needs, and shall continue.

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Section 5. The Foundation, in consultation with educational institutions, the heads of Federal agencies, and the Commissioner of Education of the Department of Health, Education, and Welfare, shall study the effects upon educational institutions of Federal policies and administration of contracts and grants for scientific research and development, and shall recommend policies and procedures which will promote the attainment of general national research objectives and realization of the research needs of Federal agencies while safeguarding the strength and independence of the Nation's institutions of learning.

Section 6. The head of each Federal agency engaged in scientific research shall make certain that effective executive, organizational, and fiscal practices exist to ensure (a) that the Foundation is consulted on policies concerning the support of basic research, (b) that approved scientific research programs conducted by the agency are reviewed continuously in order to preserve priorities in research efforts and to adjust programs to meet changing conditions without imposing unnecessary added burdens on budgetary and other resources, (c) that applied research and development shall be undertaken with sufficient consideration of the underlying basic research and such other factors as relative urgency, project costs, and availability of manpower and facilities, and (d) that, subject to considerations of security and applicable law, adequate dissemination shall be made within the Federal Government of reports on the nature and progress of research projects as an aid to the efficiency and economy of the overall Federal scientific research program.

Section 7. Federal agencies supporting or engaging in scientific research shall, with the assistance of the Foundation, cooperate in an effort to improve the methods of classification and reporting of scientific research projects and activities, subject to the requirements of security of information.

Section 8. To facilitate the efficient use of scientific research equipment and facilities held by Federal agencies:

(a) the head of each such agency engaged in scientific research shall, to the extent practicable, encourage and facilitate the sharing with other Federal agencies of major equipment and facilities;

(b) a Federal agency shall procure new major equipment or facilities for scientific research purposes only after taking suitable steps to ascertain that the need cannot be met adequately from existing inventories or facilities of its own or of other agencies; and

(c) the Interdepartmental Committee on Scientific Research and Development shall take necessary steps to ensure that each Federal agency engaged directly in scientific research is kept informed of selected major equipment and facilities which could serve the needs of more than one agency. Each Federal agency possessing such equipment and facilities shall maintain appropriate records to assist other agencies in arranging for their joint use or exchange.

Section 9. The heads of the respective Federal agencies shall make such reports concerning activities within the purview of this order as may be required by the President.

DWIGHT D. EISENHOWER

THE WHITE HOUSE,

March 17, 1954.

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IMMEDIATE RELEASE March 17, 1954

James C. Hagerty, Press Secretary to the President

THE WHITE HOUSE

The President today issued an Executive Order designed to strengthen the conduct and administration of the scientific research and development programs of the various departments and agencies of the Federal Government.

The order directs the National Science Foundation to make studies of the scientific activities of the Nation and to recommend to the President policies to strengthen the research effort and define the Federal Government's role in it. The Foundation, over a period of time, is expected to become increasingly responsible for providing Federal support for basic research carried on in universities and other nonprofit institutions. Other Federal agencies, however, will continue to carry on basic research which is closely related to their statutory missions.

The Foundation will also study the effects of Federal research support on the Nation's educational institutions and recommend policies and procedures to promote the attainment of the Federal research objectives while safeguarding the strength and independence of the educational institutions.

The order also directs the head of each agency engaged in research to make sure that such research programs reflect urgent needs and are carried on economically and with regard to the efficient use of scientific manpower. In this connection the order provides a new method to facilitate the exchange of scientific equipment and facilities among the Federal agencies so as to avoid buying new equipment or building new facilities when another agency has unused equipment or facilities available.

In connection with his approval of the order, the President made the following statement:

"Science has a vital role in our Nation's security and growth. During the past half-century, it has brought about a vast transformation in industry, in agriculture, in medicine, in transportation, and in communications. Military science has been revolutionized by technological development. The impact of science is increasingly felt in every field of public policy including foreign affairs. All this has been brought about through a combination of vision, initiative, business enterprise, a strong educational system, and the dedicated enthusiasm of the scientific community.

"The responsibilities of the Federal Government toward science have likewise changed greatly. In 1940, the Federal Government spent about one hundred million dollars in supporting research and development. The budget which I have just transmitted to the Congress calls for expenditures for these purposes in the next fiscal year of over two billion dollars. This is convincing evidence of the important role of science and technology in our national affairs.

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"This rapid expansion of Federal responsibility requires prudent administration. More than half of all the investment in the Nation today for scientific research and development is being made by the Federal Government. In large measure, these Federal funds are paid to industry and educational institutions for the conduct of research and development projects. Thus our Federal policies and practices regarding research and development are felt immediately and substantially by industry and our educational institutions.

"More than ninety percent of this Federal support is presently going into applied research and development. This is the practical application of basic knowledge to a variety of products and devices. However, only a small fraction of the Federal funds is being used to stimulate and support the vital basic research which makes possible our practical scientific progress. I believe strongly that this Nation must extend its support of research in basic science.

"While the Executive Order which I have signed today calls upon the National Science Foundation to carry out important responsibilities in regard to scientific research, it is also designed to strengthen the conduct and support of vital research and development in the several agencies where science is important in achieving their assigned missions.

"This order will, for the first time, set in motion important steps leading to a thorough and continuing review of the status of the Federal Government's activities in science, and thus enable the Government, together with industry, higher education, and the scientific community to move forward with assurance toward the achievement of the Nation's goals.

"I expect and believe that this order will clarify the position of the Government toward the support and advancement of science in the Nation, and that it will contribute in a constructive sense to the development of our national policy in this important and critical area."

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MR. BRUNDAGE'S STATEMENT FOR CABINET PRESENTATION ON BASIC RESEARCH

At the Cabinet meeting on March 11, I was directed to undertake in collaboration with the other departments and agencies "a study of the types and amounts of research paid for by the Federal Government and to submit recommendations for Cabinet review." At a later meeting, Mr. President, you asked us to put special emphasis on basic research.

Executive Order 10521, issued in March 1954, outlined the policy of the administration with respect to the responsibilities of the departments and agencies in the conduct and administration of scientific research.

This presentation represents, in part, a review of the Executive order, in light of the extensive growth of Federal research and development programs, with particular emphasis on basic research.

We have had a number of meetings with the principal departments and agencies concerned, and there is general agreement that this subject is exceedingly important and that it is most desirable to review this 1954 order in the light of ~~present~~-day circumstances and to set forth policy guide-lines that meet these needs.

current

The report which you have before you begins with a table showing the total expenditures of the Federal Government for all research and development and related support programs since 1953, including budget estimates for 1958. You will see that these expenditures remained at about the $3.6 billion level for three years--1953, 1954, and 1955, but since then have increased very rapidly, totaling $4.1 billion in 1956, $5 billion in 1957, and $6.6 billion estimated for 1958. These expenditures are broken down in this table--and also in the first chart which you see before you--between basic research, and applied research and development, showing separately the military and non-military, and the military procurement support of research and development. A breakdown by agency is shown in another table, on page 3 of the report. The largest amount, about 88% of the total in 1958, is for military and related programs. Included in the amounts shown for the military is the cost of the test and evaluation of weapons as well as the cost of research and development.

In terms of research and development programs outside the Government, it is estimated by McGraw-Hill that expenditures of all industries for this purpose approximated $6 billion in 1956, and $7.3 billion was planned for 1957. A substantial part of these amounts is, of course, financed out of Federal contract funds, but I think it is safe to say that the total research and development expenditures financed by all sources other than the Federal Government would be at least equal to the Federal funds devoted to this purpose for the fiscal years 1956 and 1957. Because of the large increase in the Department of Defense procurement support area in 1958, this may not be true in the current fiscal year.

This, then, is the background against which we wish to discuss this morning the specific subject of basic research. This has been defined as research where the immediate aim of the scientist is to obtain a more complete understanding of a subject under study rather than any practical application thereof.

Federal participation in basic research was estimated to be $233 million in the 1958 Budget or little more than 3% of the total $6.6 billion to be expended by all agencies on research and development including procurement support. As a result of congressional action to date, principally reductions in appropriations, it is now estimated that basic research expenditures will be about $215 million or at approximately the 1957 level. However, this is substantially higher than the $157 million spent in 1956. These funds for 1957 and 1958 are distributed among the Federal agencies as shown on the next chart. (Chart #2)

Since concern for basic research policy and coordination is primarily a responsibility of the National Science Foundation, Dr. Waterman will make the presentation on this subject and will discuss with you the major questions, regarding Federal support of basic research, which are discussed in the body of our report.

(Dr. Waterman will discuss the "questions" and show a series of charts:)

Chart #3. Sources of support for and Performers of Basic Research.

Chart #4. Research and Development in the Universities.

Chart #5. Support by Industry and Government of General Education and Science in the Universities.

Pertinent to the subject under consideration today is a recently completed report by the Science Advisory Committee on the basic research programs of the Federal Government. This has particular emphasis on the Department of Defense. Mr. Gray will now discuss this briefly with you.

(Call on Mr. Gray.)

(Call on Secretary Quarles for his comments.)

(Mr. Brundage will conclude with recommendations as follows:)

Here are the policy recommendations that incorporates the thinking of the depts. & agencies that have considere this subject:

Recommendations:

1. That all departments and agencies give consideration to the possibility of curtailing, through greater selectivity, further expansion of research and development activities while continuing to pursue current program policies, objectives, and missions, including the support of basic research.

2. That Federal support of basic research, outside Government laboratories, should continue to be concentrated in the colleges and universities.
3. That the President reaffirm the importance of basic scientific research to our national security as well as our national welfare.
4. That the President and all branches of the Government take measures to encourage industries and foundations to increase their support of basic research, especially in the universities.
5. That the Federal Government continue to support basic research, at least at present levels, with moderate increases as reductions can be made in applied research and development, and within the limits of availability of competent basic research personnel.

   Dr. Waterman & the Science Advisory Committee differs with the first part of this statement, and recommends that Federal support of basic research in colleges and universities should be increased, taking due account of support provided by industry and private sources.

An illustration of what we have in mind, under this recommendation, is the recent decision by the Director of the Agricultural Research Service to emphasize basic research through savings in applied research. He stated to his division directors that they "are responsible for suggesting curtailment of lines of work that are stagnated due to a lack of basic research data and for proposing initiation with the funds thus released of some of the basic lines of work needed to supply these data."

CABINET PAPER—PRIVILEGED

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CI - 57-48

August 6, 1957

The White House
Washington

THE CABINET

Basic Research

For information of the members of the Cabinet and of interested agencies, attached is a paper prepared by the Director of the Bureau of the Budget in collaboration with the Director of the National Science Foundation. This paper was prepared pursuant to the assignment in Item B of Cabinet Record of Action RA - 57-69 from the meeting of March 11, 1957.

An earlier version of this paper (CP - 57-70) plus certain information on charts were presented to the Cabinet at its meeting of August 2. It was then agreed that this document would be circulated as a Cabinet Information Paper for the general guidance of the agencies concerned (RA - 57-82, Item 3).

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

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THE CABINET

Basic Research

Background: Executive Order No. 10521, outlining the policy of the administration with respect to scientific research, was signed by the President on March 17, 1954. (A copy of this Order and the accompanying Presidential statement are attached as Annex A to this paper.)

The departments and agencies concerned (cf the second table below) have cooperated in carrying out this policy. As this table shows, however, the increases in research and development since 1954 have been of such magnitude as to require an examination of the levels of these activities which can properly be sustained by the Federal Government.

Accordingly, on March 11, 1957, at the request of the President, a Cabinet instruction was given to the Director of the Bureau of the Budget to undertake a study of the types and amounts of research paid for by the Federal Government. Subsequently, the President expressed his particular interest in basic research and in the role of college and universities in the support and performance of such research. This paper is directed primarily to these areas.

Findings: Expenditures for all federally sponsored research and development are estimated to have risen from $3.7 billion in 1953 to $6.6 billion in the 1958 Budget including substantial sums for procurement support of research, as summarized in the following table:

(In millions of dollars)

	1953 Actual	1954 Actual	1955 Actual	1956 Actual	1957 Est.	1958 Budget Est.
Military and Related Programs						
Procurement support of research and development.....	1,300	1,300	1,300	1,500	1,900	3,200
Applied research and development...............	2,052	2,016	1,977	2,159	2,425	2,610
Non-military - applied research and development............	216	214	238	305	434	593
Basic research..............	113	116	130	157	218	233
Total..............	3,681	3,646	3,645	4,121	4,977	6,636

Definition of Basic Research: Research where the aim of the researcher is a more complete understanding of the subject studied rather than a practical application thereof. (Support for such basic research by Federal agencies having practical missions is defended by the better insight it provides into solutions for their developmental programs, and the resulting new basic discoveries which make great technological advances possible.)

Basic research, as indicated above, accounts for $233 million of the estimated $6.6 billion for all research and development in 1958 or only a little over 3% of the total. While Federal funds for basic research have increased in recent years, this percentage ratio has held between 3 and 4%.

On a national basis 7 to 8% of all research and development funds from Government and Industry together are for basic research (according to fiscal year 1954 data from the National Science Foundation. This is the last year for which an adequate breakdown is available.) In that year industry, foundations, and universities provided funds for almost two-thirds of the Nation's basic research expenditures of $435 million with the balance coming from Federal Agencies.

CABINET PAPER

For Information

Universities continue to be the chief centers for the conduct of basic research. In the fiscal year 1954 universities reported spending $60 million of their own funds for basic research and $28 million from other sources, excluding Federal funds. With respect to the Federal contribution, universities and Federal agencies differed in their estimates due primarily to different interpretations of the definition for basic research. During the fiscal year 1954, universities received a total of $280 million from the Federal Government for all research and development, including basic and applied research. The universities ascribed $117 million of this to basic research whereas the Federal agencies ascribed $67 million. A realistic estimate would probably be somewhere between these limits.

Discussion: Except for the support of general purpose basic research by the National Science Foundation, Federal expenditures for basic research are generally for mission-related support of agency applied research and development programs. The increased expenditures for basic research in recent years have for the most part paralleled increases in funds for applied research and development particularly under programs of the Atomic Energy Commission and the National Institutes of Health.

The support of general purpose basic research under grants from the National Science Foundation has increased substantially, since the establishment of the Foundation in 1950. This is in accordance with Executive Order 10521. In recent years the expenditures of National Science Foundation also reflect substantial support of the International Geophysical Year program which began on July 1 this year.

Statistics: Research and Development Expenditures of the Federal Government
(Including basic research, applied research and development, and related costs)
Fiscal Years 1953 through 1958
(In millions of dollars)

	1953 Actual	1954 Actual	1955 Actual	1956 Actual	1957 Est.	1958 Budget Est.
Department or Agency						
Non-military research and development programs						
Agriculture.............	$55	$55	$72	$88	$102	$126
Atomic Energy Commission:						
Nuclear Power development.	29	36	46	74	109	192
Research in physical and life sciences..........	70	71	78	87	109	123
Total, AEC (non-military)..	99	107	124	161	218	315
Commerce...................	14	11	10	20	24	29
Health, Education, and Welfare,	65	63	70	86	148	188
Interior...................	35	39	32	36	44	49
National Science Foundation.	2	4	9	15	42	40
All other departments and agencies................	19	17	19	16	28	29
Subtotal, non-military research programs........	289	296	336	422	606	77[illegible]
Military and related research and development programs						
Defense:						
Research and development funds.................	1,412	1,385	1,397	1,495	1,540	1,580
Procurement support of development programs..	*1,300	*1,300	1,300	1,500	1,900	3,200
Military personnel....	*157	*157	157	188	195	239
Military construction.	156	145	110	120	177	228
Total, Department of Defense	3,025	2,987	2,964	3,303	3,812	5,247
Atomic Energy (military)....	288	274	271	325	484	527
National Advisory Committee for Aeronautics..........	79	89	74	71	75	86
Subtotal, military and related programs..................	3,392	3,350	3,309	3,699	4,371	5,860
Total, all research and development programs.......	3,681	3,646	3,645	4,121	4,977	6,636

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*Assumed same as 1955, the first year for which data are available.

Federal Participation in Basic Research:

Federal participation in basic science in fiscal year 1958 was estimated at $233 million in the 1958 President's Budget, or little more than 3% of the total of $6.6 billion estimated to be expended by the agencies on all research and development (including test, evaluation, and related activities). Based on Congressional action to date it is now estimated that $215 million will be made available for basic research in 1958, approximately the level of 1957. These funds for basic research are distributed among the Federal agencies as follows:

Department or Agency	Estimated Expenditures for Basic Research (In millions) Fiscal Year 1957	President's Budget Fiscal Year 1958	Fiscal year 1958 current estimate
Atomic Energy Commission	$56	$60	$60
Department of Defense	31	32	32
Health, Education & Welfare	38	44	44
National Science Foundation	40	35	22
Department of Agriculture	17	20	18
National Advisory Committee for Aeronautics	15	18	16
Department of Interior	14	16	15
Department of Commerce	5	6	5
All other	2	2	2
Total, basic research	218	233	215

NOTE: Because basic research is difficult to identify throughout the Federal Government, the foregoing estimates are not precise. For example, as much as $30 million additional may be supported by the Defense Department indirectly under development and procurement contracts. In the aggregate, however, the estimates are a reasonable approximation.

Basic research of a general purpose nature is supported by the National Science Foundation. Other Federal agencies support basic research of a "mission-related" nature as called for in Executive Order 10521 on the administration of scientific research and development. Examples are fundamental studies of blood cell structure as related to cancer research, or research in metallurgy as related to jet engine development.

Private industry, universities, and foundations also make a substantial contribution to the overall support of basic research. The following data for the fiscal year 1954 gathered by the National Science Foundation show sources of funds for basic research and where these funds were spent in the performance of such research. For example, in 1954 the Federal agencies spent $158 million for basic research but only $47 million of this went for research in Government laboratories; the rest was spent chiefly under grants and contracts with iniversities and other non-governmental institutions.

	Sources of Funds for Basic Research (In millions)	Amounts Spent in Actual Performance of Basic Research
Federal Government	$158	$47
Industry	179	168
Colleges and Universities	60	205
Other organizations (private foundations, health groups, etc.)	38	14
	435	435

In 1954, the total of $435 million for basic research represented about 7 to 8 percent of all research and development expenditures from all sources throughout the country. Since 1954, this percentage is believed to have declined because of rising expenditures for large-scale development and procurement programs financed by Federal funds.

Several questions have arisen with regard to the Federal Government's support of basic research.

1. What is the Federal Government's justification for supporting basic research?

   (a) Prior to and during World War II, the United States depended heavily on the basic research of European scientists many of whom were brought to this country. Since the war the United States has recognized the need to strengthen basic research in our colleges and universities. Dr. Vannevar Bush led this movement, which resulted in the establishment in 1950 of the National Science Foundation.

   (b) A strong foundation of basic research is essential for future advances in applied research and development in weapons, atomic energy, medicine and other life sciences, agriculture, and industrial technology.

   (c) Basic research is an essential ingredient in the advanced training of scientists and engineers. Many graduate students are attracted into advanced scientific careers or given an opportunity to extend their research capabilities through employment as part-time assistants in research projects supported through Federal grants.

   (d) In March 1954, the President issued Executive Order 10521 initiated by Joseph Dodge on "Administration of Scientific Research and Development," and in an accompanying statement stressed the fact that only a small fraction of Federal funds were being allocated to basic science, adding that the Nation must extend its support of such research.

   (e) In 1955, the second Hoover Commission strongly recommended increased Federal support for basic research.

2. Is the current level of Federal support for basic science inadequate, adequate or excessive?

There is no absolute measure as to the proper level of support for basic science. If Federal funds were available to finance all meritorious projects for which applications for funds are received each year, the current Federal expenditures for basic science would be substantially increased. It therefore appears that if the Federal Government were to meet the full demands on it, present expenditures for basic research could not be considered a maximum either in absolute dollar terms or as a percentage of total research and development. For the National Science Foundation alone, funds are available in the current fiscal year to finance only about one-third of the project applications which it considers merit support and less relative support can be given in 1958 on the basis of the congressional action on the Budget.

3. Can colleges and universities assume a greater share of the cost of basic research?

Demands for funds to provide for instructional and other general educational needs, particularly in view of expanding enrollments, limit the ability of colleges and universities to devote more of their own resources to basic research.

Academic institutions are the chief centers for the conduct of basic research in this country. In the fiscal year 1954, universities reported spending for basic research $60 million of their own funds and $28 million from other sources, excluding Federal contributions.

With respect to the Federal contribution, universities and Federal agencies differed in their estimates due primarily to different definitions of basic research. During fiscal year 1954, universities received a total of $280 million from the Federal Government for all research and development -- including basic research. The universities ascribed $117 million of this amount to basic research, whereas the Federal agencies ascribed $67 million ($33 million for research centers, separate from the regular university activity, and $34 million for research in academic departments). A realistic estimate of Federal funds for basic research at the universities for that year would probably lie somewhere between these two figures.

Since 1954, Federal funds for university basic research have increased substantially although a large proportion of Federal funds going to universities continues to be used for applied research and development as the following table indicates. Furthermore the cost of basic research in certain fields has risen as the need for large scale equipment such as radio-telescopes, nuclear accelerators, and germ free laboratories has increased.

Federal Funds to Universities for Basic Research and for Applied Research and Development
(As reported by Federal agencies)

(In millions)	1954	1958
Total Federal funds to universities	$280	$441
Research centers (Government-owned university managed)...............	135	175
Basic research	33	
Applied research and development...	102	
University academic departments	145	266
Basic research	34	75-85
Applied research and development....	111	191-181

It is considered most improbable that, left to their own resources, colleges and universities could materially increase their financial investment in basic science. Attempts to secure an increase in industrial grants or private gifts for basic research tend to compete with already intensive efforts by educational institutions to secure large scale increases in corporate or other private giving for higher education generally. Furthermore from the institutions point of view, increasing enrollments, shortages of educational facilities, and rising costs require that they give financial priority to instructional expenses. It is for this reason universities are increasingly concerned over the fact that most Federal research grants fail to provide adequately for the overhead costs of colleges and universities.

Medical schools are already receiving direct Federal subsidies to expand and improve their research facilities, and the administration has strongly urged the further liberalization of this financial aid.

4. Can industry assume a greater share of the cost of basic research in the colleges and universities?

At the present time, industry's main contribution lies in general educational support at colleges and universities, and this support is growing. Some support for basic research, relatively minor in amount, is provided to particular institutions for specific research in which the industry is interested. Support to all areas of science or unrestricted support of basic research by industry is meager and seems hardly a likely source of significant aid -- the amount depending upon donation policies and tax laws. This is verified by conversations with leading industrialists. Furthermore, industry has no good mechanism for distribution of research support throughout the country but, in general, makes its contributions to particular institutions, such as institutes of technology, and local colleges and universities.

5. How much basic research should be carried on in Government laboratories?

In 1954 approximately 10 percent of all basic research expenditures in the United States were for work performed in Federal laboratories. This represented approximately one-third of the Federal Government's own expenditures in that year for basic research.

Basic research in Federal laboratories is concentrated in relatively few major laboratories, such as those of the National Advisory Committee for Aeronautics, the National Bureau of Standards, and the Naval Research Laboratory, which are primarily engaged in applied research in technical fields of special interest to the Government. As in the case of the National Advisory Committee for Aeronautics, most of these laboratories have specialized facilities not available in universities or other private laboratories. By combining basic and applied research in these Federal laboratories, the Government in many instances avoids costly duplication involved in providing specialized facilities to private contractors.

Basic research conducted in Government laboratories is also beneficial in helping to attract and retain scientists of high repute and caliber for the Government service, and to provide within Government the scientific competence and judgment needed to administer large research and development programs.

Conclusions:

(1) All departments and agencies are giving consideration to the possibility of curtailing through greater selectivity further expansion of research and development activities, while continuing to pursue current program policies, objectives, and missions, including the support of basic research.

(2) Federal support of basic research, outside Government laboratories, should continue to be concentrated in the colleges and universities.

(3) The importance of basic scientific research to our national security as well as to our national welfare should be emphasized.

(4) The Federal Government will continue to support basic research, at least at present levels, with moderate increases within the limits of the availability of competent basic research personnel and, wherever possible, offset by reductions in applied research and development.

(5) Industries and foundations will be encouraged to increase their support of basic research, especially in the universities.

EXECUTIVE ORDER

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ADMINISTRATION OF SCIENTIFIC RESEARCH BY AGENCIES OF THE FEDERAL GOVERNMENT

WHEREAS the security and welfare of the United States depend increasingly upon the advancement of knowledge in the sciences; and

WHEREAS useful applications of science to defense, humanitarian, and other purposes in the Nation require a strong foundation in basic scientific knowledge and trained scientific manpower; and

WHEREAS the administration of Federal scientific research programs affecting institutions of learning must be consistent with the preservation of the strength, vitality, and independence of higher education in the United States; and

WHEREAS, in order to conserve fiscal and manpower resources, it is necessary that Federal scientific research programs be administered with all practicable efficiency and economy; and

WHEREAS the National Science Foundation has been established by law for the purpose, among others, of developing and encouraging the pursuit of an appropriate and effective national policy for the promotion of basic research and education in the sciences:

NOW, THEREFORE, by virtue of the authority vested in me as President of the United States, it is hereby ordered as follows:

Section 1. The National Science Foundation (hereinafter referred to as the Foundation) shall from time to time recommend to the President policies for the Federal Government which will strengthen the national scientific effort and furnish guidance toward defining the responsibilities of the Federal Government in the conduct and support of scientific research.

Section 2. The Foundation shall continue to make comprehensive studies and recommendations regarding the Nation's scientific research effort and its resources for scientific activities, including facilities and scientific personnel, and its foreseeable scientific needs, with particular attention to the extent of the Federal Government's activities and the resulting effects upon trained scientific personnel. In making such studies, the Foundation shall make full use of existing sources of information and research facilities within the Federal Government.

Section 3. The Foundation, in concert with each Federal agency concerned, shall review the scientific research programs and activities of the Federal Government in order, among other purposes, to formulate methods for strengthening the administration of such programs and activities by the responsible agencies, and to study areas of basic research where gaps or undesirable overlapping of support may exist, and shall recommend to the heads of agencies concerning the support given to basic research.

Section 4. As now or hereafter authorized or permitted by law, the Foundation shall be increasingly responsible for providing support by the Federal Government for general-purpose basic research through contracts and grants. The conduct and support by other Federal agencies of basic research in areas which are closely related to their missions is recognized as important and desirable, especially in response to current national needs, and shall continue.

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Section 5. The Foundation, in consultation with educational institutions, the heads of Federal agencies, and the Commissioner of Education of the Department of Health Education, and Welfare, shall study the effects upon educational institutions of Federal policies and administration of contracts and grants for scientific research and development, and shall recommend policies and procedures which will promote the attainment of general national research objectives and realization of the research needs of Federal agencies while safeguarding the strength and independence of the Nation's institutions of learning.

Section 6. The head of each Federal agency engaged in scientific research shall make certain that effective executive, organizational, and fiscal practices exist to ensure (a) that the Foundation is consulted on policies concerning the support of basic research, (b) that approved scientific research programs conducted by the agency are reviewed continuously in order to preserve priorities in research efforts and to adjust programs to meet changing conditions without imposing unnecessary added burdens on budgetary and other resources, (c) that applied research and development shall be undertaken with sufficient consideration of the underlying basic research and such other factors as relative urgency, project costs, and availability of manpower and facilities, and (d) that, subject to considerations of security and applicable law, adequate dissemination shall be made within the Federal Government of reports on the nature and progress of research projects as an aid to the efficiency and economy of the overall Federal scientific research program.

Section 7. Federal agencies supporting or engaging in scientific research shall, with the assistance of the Foundation, cooperate in an effort to improve the methods of classification and reporting of scientific research projects and activities, subject to the requirements of security of information.

Section 8. To facilitate the efficient use of scientific research equipment and facilities held by Federal agencies:

(a) the head of each such agency engaged in scientific research shall, to the extent practicable, encourage and facilitate the sharing with other Federal agencies of major equipment and facilities;

(b) a Federal agency shall procure new major equipment or facilities for scientific research purposes only after taking suitable steps to ascertain that the need cannot be met adequately from existing inventories or facilities of its own or of other agencies; and

(c) the Interdepartmental Committee on Scientific Research and Development shall take necessary steps to ensure that each Federal agency engaged directly in scientific research is kept informed of selected major equipment and facilities which could serve the needs of more than one agency. Each Federal agency possessing such equipment and facilities shall maintain appropriate records to assist other agencies in arranging for their joint use or exchange.

Section 9. The heads of the respective Federal agencies shall make such reports concerning activities within the purview of this order as may be required by the President.

DWIGHT D. EISENHOWER

THE WHITE HOUSE,

March 17, 1954.

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IMMEDIATE RELEASE March 17, 1954

James C. Hagerty, Press Secretary to the President

THE WHITE HOUSE

The President today issued an Executive Order designed to strengthen the conduct and administration of the scientific research and development programs of the various departments and agencies of the Federal Government.

The order directs the National Science Foundation to make studies of the scientific activities of the Nation and to recommend to the President policies to strengthen the research effort and define the Federal Government's role in it. The Foundation, over a period of time, is expected to become increasingly responsible for providing Federal support for basic research carried on in universities and other nonprofit institutions. Other Federal agencies, however, will continue to carry on basic research which is closely related to their statutory missions.

The Foundation will also study the effects of Federal research support on the Nation's educational institutions and recommend policies and procedures to promote the attainment of the Federal research objectives while safeguarding the strength and independence of the educational institutions.

The order also directs the head of each agency engaged in research to make sure that such research programs reflect urgent needs and are carried on economically and with regard to the efficient use of scientific manpower. In this connection the order provides a new method to facilitate the exchange of scientific equipment and facilities among the Federal agencies so as to avoid buying new equipment or building new facilities when another agency has unused equipment or facilities available.

In connection with his approval of the order, the President made the following statement:

"Science has a vital role in our Nation's security and growth. During the past half-century, it has brought about a vast transformation in industry, in agriculture, in medicine, in transportation, and in communications. Military science has been revolutionized by technological development. The impact of science is increasingly felt in every field of public policy including foreign affairs. All this has been brought about through a combination of vision, initiative, business enterprise, a strong educational system, and the dedicated enthusiasm of the scientific community.

"The responsibilities of the Federal Government toward science have likewise changed greatly. In 1940, the Federal Government spent about one hundred million dollars in supporting research and development. The budget which I have just transmitted to the Congress calls for expenditures for these purposes in the next fiscal year of over two billion dollars. This is convincing evidence of the important role of science and technology in our national affairs.

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"This rapid expansion of Federal responsibility requires prudent administration. More than half of all the investment in the Nation today for scientific research and development is being made by the Federal Government. In large measure, these Federal funds are paid to industry and educational institutions for the conduct of research and development projects. Thus our Federal policies and practices regarding research and development are felt immediately and substantially by industry and our educational institutions.

"More than ninety percent of this Federal support is presently going into applied research and development. This is the practical application of basic knowledge to a variety of products and devices. However, only a small fraction of the Federal funds is being used to stimulate and support the vital basic research which makes possible our practical scientific progress. I believe strongly that this Nation must extend its support of research in basic science.

"While the Executive Order which I have signed today calls upon the National Science Foundation to carry out important responsibilities in regard to scientific research, it is also designed to strengthen the conduct and support of vital research and development in the several agencies where science is important in achieving their assigned missions.

"This order will, for the first time, set in motion important steps leading to a thorough and continuing review of the status of the Federal Government's activities in science, and thus enable the Government, together with industry, higher education, and the scientific community to move forward with assurance toward the achievement of the Nation's goals.

"I expect and believe that this order will clarify the position of the Government toward the support and advancement of science in the Nation, and that it will contribute in a constructive sense to the development of our national policy in this important and critical area."

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CABINET PAPER—PRIVILEGED

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CP - 57-71

July 30, 1957

The White House

Washington

THE CABINET

Orientation of Top Level Non-Career Executives

For consideration by the Cabinet, attached is a paper prepared by the Director of the Bureau of the Budget in collaboration with other Government officials.

This paper recommends that each department and agency draw up a plan, following a general common outline, for providing appropriate orientation and briefing to new, top-level non-career appointees, especially those new to the Federal government. The paper further proposes that certain agencies with "central responsibilities" assist in this orientation.

The concurrence of the Cabinet and the approval of the President are sought for the proposals set forth in this paper.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

CABINET PAPER—PRIVILEGED CP - 57-7

Property of the White House—For Authorized Persons Only July 30, 1957

The White House

Washington

THE CABINET

Orientation of Top Level Non-Career Executives

Problem: When an individual is newly appointed to a responsible position there are many types of information which he must acquire before he can be expected to perform effectively. This is particularly true for high-level positions with broad responsibilities such as those of agency heads and assistant agency heads. Moreover, appointees to those positions usually have had no previous service with the agency and frequently have not had previous Government experience. Although informal methods of briefing are being used for top-level non-career executives, there is a need for more systematic, thorough, and timely orientation of such officials if they are to serve the President, the Congress and the public to the full extent of their capabilities, beginning as early as possible in their term of office.

Proposal: Purpose: Twentieth century government has by this time become a matter of teamwork. At top levels, depth of knowledge is equalled if not superceded in importance by breadth of perspective;the urge for action must be combined with a sensitivity for intra-departmental and interdepartmental coordination; and program enthusiasm tempered by awareness of Presidential and Administration-wide objectives. A fuller sense of teamwork can be gained if each Agency provides an early and systematic means for pointing out to each top level appointee not only the fine print of his responsilities,but the larger picture of how his contributions must be fitted in to what the President is striving to accomplish for the Nation as a whole and for the world.

Proposal: Agency Responsibilities:Each executive department, agency, board and commission shall develop a plan for orientation of newly appointed non-career executives. Initially, this plan should be limited to secretaries, deputy, under and assistant secretaries of departments, heads and assistant heads of agencies, and chairmen and members of boards and commissions. Agencies should, however,give consideration to expanding the plan, at a later date, to include other non-career executives.

Scope of Each Agency's Orientation Plan: As a minimum, each Agency's plan shall provide for covering the following subject matter:

1. Such supplementary information concerning the Constitution of the United States, the separation of powers and the organization and functions of the Executive Branch and its relationships with the Legislative and Judicial Branches as may be pertinent to the appointee individually, particularly within the context of his Agency's functions.

2. The external relationships of the department or agency -- with:

   a. The Congress

   b. The Executive Office of the President including the White House Office.

   c. Various central agencies such as the Civil Service Commission, the General Accounting Office and the General Services Administration.

   d. The other departments, agencies, boards and commissions including its participation in interdepartmental bodies.

e. State and local governments.

f. Non-governmental groups.

g. The public and the press.

3. The organization and functions of selected departments, agencies, boards and commissions whose programs are of particular interest to the appointee.

4. The Hatch Act; the merit system and excepted positions.

5. Conflict of interest legislation and the anti-lobbying act.

6. The organization and procedures of the department or agency including its legislative and budget processes and security programs.

7. The authority, duties, and responsibilities of the appointee described as precisely as possible.

8. Agency programs (background, status, objectives and problems) and guidance concerning Presidential or agency policy in areas of concern to the appointee.

9. Identification of those persons in the organization and in other parts of the Government who occupy key positions with respect to problems in the appointee's area of interest.

10. Information needed to facilitate the personal adjustment of the appointee including protocol, housing, taxes, schools, pay, insurance, retirement and other benefits.

Orientation programs will be tailored to the needs of individual appointees, emphasizing personal discussions with high level officials, including the appointee's predecessor wherever possible. Written materials should be provided when appropriate. Orientation prior to taking the oath of office is desirable when this can be arranged.

Central Responsibilities: There are several aspects of the above outline which relate to matters of Administration policy or to the operation of parts of the Government other than the particular agency of a new appointee. In order to assure adequate coverage of such subjects and to avoid having each agency duplicate the efforts of other agencies in preparing presentations on matters of general interest, the following arrangements will be made:

1. In the case of secretaries of departments and heads of principal agencies, either the President or the Assistant to the President will, as is customary, identify and discuss with the new appointee the major policy issues in the appointee's area of responsibility with which the Administration is concerned.

2. A representative of the Bureau of the Budget, designated by the Director, will describe to each appointee the organization and functions of the Executive Branch of the Government and its relationships with the Judicial and Legislative Branches.

3. The Department of State will designate one or more individuals who will be available to inform Presidential appointees (and their families) on protocol.

4. The Department of Justice will designate one or more persons who will be available to inform Presidential appointees on conflict-of-interest statutes, the anti-lobbying act and related problems.

5. The Civil Service Commission will designate one or more persons who will be available to inform Presidential appointees on civil service laws, procedures, and policies, including the merit system, excepted positions and the Hatch Act.

6. Each Special Assistant for Cabinet Coordination and, in other agencies, the Executive Assistant to the Agency Head or Chairman will be available on request to inform Presidential appointees from other agencies on the work of his department or agency and its inter-agency relationships; to act as liaison officer with the White House and with other agencies on this program and to give leadership to the program within his department or agency.

7. A representative of the White House staff will be available to discuss with each new appointee the President's standing requirements for good staff work on matters of White House and inter-departmental concern, and to describe the existing procedures for ensuring this. (For subordinates of agency heads, this briefing will be arranged in each case through the agency head.)

8. The Cabinet Secretariat, in its continuing capacity as a liaison office with the departments and agencies, will facilitate the conduct of this program.

Recommendation:

That the President approve the above proposals.

Implementation: If the President approves this proposal, the Secretary to the Cabinet will inform all departments, agencies, boards and commissions of this decision and direct them to prepare a plan for orienting their own appointees and for assisting in orienting those from other agencies in accordance with the policies outlined above. Each agency will provide the Cabinet Secretary with an outline of its plan and be prepared to commence orientation of new appointees by October 1, 1957.

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CP - 57-71

August 6, 1957

The White House

Washington

THE CABINET

Orientation of Top-Level Non-Career Executives

The attached approved paper is circulated for the action of each recipient Department and Agency.

The proposals in this paper were approved at the Cabinet meeting of Friday August 2, 1957 (RA - 57-82, Item 4).

The Cabinet Secretariat is distributing this paper for action to other agencies and commissions affected.

The Cabinet Secretariat will in the very near future communicate with the Cabinet Assistants and the Executive Assistants in the affected agencies to arrange for early implementation of this paper.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

CABINET PAPER—PRIVILEGED

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The White House

Washington

Orientation of Top Level Non-Career Executives

Problem: When an individual is newly appointed to a responsible position there are many types of information which he must acquire before he can be expected to perform effectively. This is particularly true for high-level positions with broad responsibilities such as those of agency heads and assistant agency heads. Moreover, appointees to those positions usually have had no previous service with the agency and frequently have not had previous Government experience. Although informal methods of briefing are being used for top-level non-career executives, there is a need for more systematic, thorough, and timely orientation of such officials if they are to serve the President, the Congress and the public to the full extent of their capabilities, beginning as early as possible in their term of office.

Proposal: Purpose: Twentieth century government has by this time become a matter of teamwork. At top levels of Departments and major agencies, depth of knowledge is equalled if not superceded in importance by breadth of perspective; the departmental and interdepartmental coordination; and program enthusiasm tempered by awareness of Presidential and Administration-wide objectives. A fuller sense of teamwork can be gained if each Agency provides an early and systematic means for pointing out to each top level appointee not only his individual responsibilities, but in addition the broader dimension of hiw his contributions must be fitted in to what the President is striving to accomplish for the Nation as a whole and for the world.

Proposal: Agency Responsibilities: Each executive department, agency, board and commission should develop a plan for orientation of newly appointed non-career executives. Initially, this plan should be limited to secretaries, deputy, under and assistant secretaries of departments, heads and assistant heads of agencies, chairmen and members of boards and commissions and certain other top-level officers who have been away from the United States for long periods of time. Agencies should, however, give consideration to expanding the plan, at a later date, to include other non-career executives.

Scope of Each Agency's Orientation Plan: As a minimum, each Agency's plan shall provide for covering the following subject matter:

1. Such supplementary information concerning the Constitution of the United States, the separation of powers and the organization and functions of the Executive Branch and its relationships with the Legislative and Judicial Branches as may be pertinent to the appointee individually, particularly within the context of his Agency's functions.

2. The external relationships of the department or agency -- with:

   a. The Congress

   b. The Executive Office of the President including the White House Office.

   c. Various central agencies such as the Civil Service Commission, the General Accounting Office and the General Services Administration.

   d. The other departments, agencies, boards and commissions including its participation in interdepartmental bodies.

e. State and local governments.

f. Non-governmental groups.

g. The public and the press.

3. The organization and functions of selected departments, agencies, boards and commissions whose programs are of particular interest to the appointee.

4. The Hatch Act; the merit system and excepted positions.

5. Conflict of interest legislation and the anti-lobbying act.

6. The organization and procedures of the department or agency including its legislative and budget processes and security programs.

7. The authority, duties, and responsibilities of the appointee described as precisely as possible.

8. Agency programs (background, status, objectives and problems) and guidance concerning Presidential or agency policy in areas of concern to the appointee.

9. Identification of those persons in the organization and in other parts of the Government who occupy key positions with respect to problems in the appointee's area of interest.

10. Information needed to facilitate the personal adjustment of the appointee including protocol, housing, taxes, schools, pay, insurance, retirement and other benefits.

Orientation programs will be tailored to the needs of individual appointees, emphasizing personal discussions with high level officials, including the appointee's predecessor wherever possible. Written materials should be provided when appropriate. Orientation prior to taking the oath of office is desirable when this can be arranged.

Central Responsibilities: There are several aspects of the above outline which relate to matters of Administration policy or to the operation of parts of the Government other than the particular agency of a new appointee. In order to assure adequate coverage of such subjects and to avoid having each agency duplicate the efforts of other agencies in preparing presentations on matters of general interest, the following arrangements will be made:

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6. Each Cabinet Assistant and, in other agencies, the Executive Assistant to the Agency Head or Chairman will be available on request to inform appointees from other agencies on the work of his department or agency and its inter-agency relationships; to act as liaison officer with the White House and with other agencies on this program and to give leadership to the program within his department or agency.

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8. The Cabinet Secretariat, in its continuing capacity as a liasion office with the departments and agencies, will facilitate the conduct of this program.

Recommendation:

That the President approve the above proposals.

Implementation: If the President approves this proposal, the Secretary to the Cabinet will inform all departments, agencies, boards and commissions of this decision and request them to prepare a plan for orienting their own appointees and for assisting in orienting those from other agencies in accordance with the policies outlined above. Each agency will provide the Cabinet Secretary with an outline of its plan and be prepared to commence orientation of new appointees by October 1, 1957.

CABINET PAPER—PRIVILEGED

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CA - 57-83

August 19, 1957

The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday August 23, 1957

1. Report on the Buenos Aires Conference	(Oral)	The Secretary of the Treasury
2. Contingent Liabilities of the Government under Defense Production and Stockpiling Programs	(Oral)	The Director, Office of Defense Mobilization The Administrator of General Services
3. Monthly Report on Expenditures and Personnel	(Oral)	The Acting Director, Bureau of the Budget
4. Regional Boundaries	(Oral)	The Director, Office of Defense Mobilization
5. Report on the Economic Situation	(Oral)	The Chairman, Council of Economic Advisers

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

MINUTES OF CABINET MEETING

August 23, 1957
9:00 A. M. -- 10:50 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Anderson
Sec. Wilson
Deputy Atty Gen Rogers
(for Mr. Brownell)
Mr. Summerfield
Under Sec. Chilson
(for Sec. Seaton)
Sec. Benson
Under Sec. Walter Williams
(for Sec. Weeks)
Under Sec. James T. O'Connell
(for Sec. Mitchell)
Sec. Folsom

Director Brundage
Mr. Gordon Gray
Chrm. Ellsworth
Amb. Lodge
Dr. Saulnier

Under Sec. Treasury F. C. Scribner)
Asst. Sec. Commerce F. H. Mueller)
Mr. Charles Kendall, ODM)
Mr. Wilbur Fritz, ODM)
Mr. Leo Hoegh, FCDA)
Mr. Arthur Larson, USIA)
Mr. Max Medley, GSA)
Mr. Edw. C. Sweeney, GSA)
Mr. Henry H. Pike, GSA)
For Item #2 only

Gov. Adams
Gen. Persons
Mr. Rabb
Gen. Cutler
Gen. Goodpaster, in part
Mr. Hagerty, in part
Mr. Martin
Mr. Morgan, in part
Gov. Pyle
Mr. Shanley
Mrs. Wheaton
Mr. Patterson

Buenos Aires Conference - Sec. Anderson reported first on his conversations in Brazil where officials pressed the question of assistance for oil development. In response to the President's query, he stated that Brazil was very slowly paying back the $400 million loan previously granted.

Regarding the Buenos Aires Conference, he noted the desire of small countries for some sort of economic treaty. Because of the opposition of larger countries, he believed the outcome would be some form of declaration not requiring Congressional approval. He noted the Latin American feeling of being stepchildren in the activity of the World Bank. Their desire for an Inter-American Bank was not shared by the Secretary, who believed that loans and existing mechanisms should be used. Mr. Anderson reported also the great interest in commodity agreements, a procedure which would be difficult for the United States. Of particular concern to Peru, Mexico, and Chile was our proposed action on lead and zinc, about which a sharp protest -- only in small part for the record -- would be forthcoming since the action might cause three million workers in Peru to be unemployed.

Other subjects discussed included tax sparing as an inducement to capital investment and compensation for private property confiscated by governments. In view of Mexican sensitivities, Mr. Anderson believed it best to work toward some general language on the latter, acceptable to all countries.

Sec. Anderson concluded by noting the difficulties experienced by Argentina caused by Peron's departure along with some $800 million of its resources, and President Aramburu's efforts to foster democracy in a depressed economic situation.

Government Aluminum and Copper Purchases - Mr. Gray presented briefly the difficulties caused by lower market prices which threatened to force Government expenditures for these metals as high as $483 million when only $285 million had been budgeted.

Mr. Floete then described in detail the problem and reviewed the discussions with the aluminum companies in search of a solution. He emphasized that the original contracts committing the Government to purchase certain quantities, should the companies offer these quantities, had been made in an effort to encourage necessary aluminum production expansion. He noted that a ruling on the legality of these contracts was pending in GAO. He stated also that a possible budgetary solution might be had through sale of this aluminum on the open market by the Government, though this would further depress the market. Secretary Dulles subsequently warned of the extremely adverse effects on other countries of such action.

The President inquired as to the time when these contracts were made and was informed that most of them were connected with the Korean war requirements. He inquired as to the possibility of turning this material to use in military production. Mr. Wilson thought this would merely cause the aluminum companies to offer more to the Government, since such usage would displace direct sales.

After extensive discussion of the possibility of Government sale of copper and aluminum, Mr. Gray recommended against any statement that the

Administration would put the metals on the market. The President felt that some pressure should be put on the companies to cooperate in solving this problem and he noted particularly the recent increase in the price of aluminum. Sec. Dulles elaborated on the adverse impact abroad, particularly as regards Chile and the already difficult lead and zinc problem.

The President summarized his belief that further study should be made of possible defense uses, that the industries should be encouraged to hold their offerings to the minimum, and that if necessary Congress must be asked for further funds to carry out these contracts. He directed that no more such contracts be made unless they have specific approval from the National Security Council.

Sec. Anderson suggested that conversations be held with the industry as a whole rather than with individual companies, and Mr. Rogers believed that this could be done without involving anti-trust problems.

Expenditures and Personnel -- Mr. Brundage gave his monthly report on efforts to reduce expenditures and personnel. He indicated that some appeals from the agencies had been resolved through discussion but that a question remained in some agencies as to whether their responsibility lies to the President or to the Congress. He asked for Cabinet clarification. He reviewed the conditions under which expenditures might be held to $71.8 billion. These involved Defense expenditures at $38 billion, the postal rate increase, no pay raise, and CCC and Soil Bank expenditures remaining within estimates.

Regarding personnel, Mr. Brundage stated his expectation that a request will be made to departments having expanded programs for fiscal year 1958 to accomplish offsetting personnel reductions in less affected areas. Mr. Benson asked for guidance as to limiting expenditure of money specifically appropriated by the Congress for authorized programs. The President replied that by appropriating money Congress does not necessarily provide money, and that Congress does not expect the Government to go bankrupt. He regarded an appropriation action more as a ceiling than as a directed rate of expenditure.

Sec. Anderson again outlined the great difficulty he expected in keeping under the debt limit, particularly in December and January.

Regional Boundaries - Mr. Gray showed the Cabinet a map of the United States, and then flipped through 20 acetate overlays, each overlay showing two different sets of Federal agency regional boundaries -- for a total of 40 different sets of boundary lines. He conceded that even his own and FCDA's boundary lines were different. The very presentation of this chart, of course, made the chief point: that there was a complete jumble of boundary lines, with very little coordination. The President instructed ODM and the Bureau of the Budget to work on a more coordinated set of boundary lines and suggested that in general the States be considered as the smallest area in any boundary set-up, i.e., that a State not be subdivided.

Report on the Economic Situation - Dr. Saulnier reported a shifting of views on the economic outlook towards somewhat decreased optimism. He indicated that statistics for the second quarter show a distinct slowing down in the rate of increase. He cited the situation regarding corporate profits, inventories, sales of manufactured goods, new orders, defense expenditures, metals, the ability of foreign markets to absorb American exports -- all of which show varying signs of reduced activity.

Dr. Saulnier reported the existence of disagreements as to interpretation of these factors and he concluded that there would be a general economic advance throughout the rest of the year but at a slower rate.

The President remarked on the record total of expenditures by Federal, State and Municipal governments.

Regarding the rising cost of living index, Dr. Saulnier described the most recent advance as seasonal and he expected the index to start down again in September. The President, with the seasonal increases in mind, suggested that the Labor Department make public a chart showing fluctuations in the index over the past year and over the past five years. Sec. Anderson called attention to the extra services built into "food prices" in recent years. Dr. Saulnier believed the Bureau of Labor Statistics should take account of this "service" factor.

L. A. Minnich Jr.
L. A. Minnich, Jr.

(Based on notes by Mr. Patterson.)

Copies to:
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

CABINET PAPER—PRIVILEGED RA - 57-83

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August 26, 1957

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, August 23, 1957:

1. Report on the Buenos Aires Conference

(Information Item Only)

2. Contingent Liabilities of the Government Under Defense Production and Stockpiling Programs /table distributed at meeting/

ACTION: The President stipulated that the Government's policy with respect to these liabilities is to be as follows:

a) We shall in good faith honor our contractual obligations.

b) We should negotiate with those producers which are now tendering metals and minerals to the Government pursuant to contracts, or which are likely to make such tenders in the future, and endeavor to reach agreement that such tenders will be as limited as possible and that payments for them will be stretched out to the extent possible. Consideration should be given to the feasibility of conducting the negotiations on an industry basis.

c) Consideration should be given to the feasibility and advisability of alleviating these liabilities by furnishing defense suppliers with some of the metals and minerals being tendered, for use as Government furnished materials.

d) We should provide, within our over-all budgetary objectives, for whatever minimum program of Government purchases results from the above negotiations.

e) The Government will neither extend nor enter into any further contracts of the commitment or incentive type, it being understood that exceptions may be made following discussion in each case in the Defense Mobilization Board, with any resulting policy issues referred to the National Security Council.

(continued next page)

f) We should make no move which would unduly disrupt domestic or world metals markets.

3. Monthly Report on Expenditures and Personnel

ACTION: The Cabinet noted the report by the Director of the Bureau of the Budget, and noted further the Secretary of the Treasury's estimate of the tight situation ahead, especially in December and January, with respect to the debt limit.

4. Regional Boundaries

ACTION: a) The President requested the Director of the Office of Defense Mobilization to work with the Director of the Bureau of the Budget in an endeavor to recommend revised regional boundaries for the agencies of the Federal Government which are more consistent with the needs of mobilization planning.

b) The President suggested that in general a State be the smallest unit in any configuration of regional boundaries --i. e., that States not be sub-divided.

5. Report on the Economic Situation

(Information Item Only)

Maxwell M. Rabb
Secretary to the Cabinet

August 21, 1957

MEMORANDUM FOR

THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, August 23, 1957

For what is probably the final Cabinet meeting this summer, the following items are scheduled:

1. Report on the Buenos Aires Conference — Secretary Anderson

Secretary Anderson will have just returned from Buenos Aires. Members of the Cabinet have expressed an interest in his report which he planned to give you. In order to avoid duplication and save your time, Secretary Anderson will give his report at the Cabinet meeting.

PRESENTATION TIME: 15 Minutes

2. Contingent Liabilities of the Government under Defense Production and Stockpiling Programs — (Mr. Gray and Mr. Floete)

Under terms of contracts made in 1951-52 to encourage expansion of metal producing facilities (e.g. for aluminum, copper, etc) during the Korean War, the government is under an obligation to purchase quantities of these metals in excess of market demands. Such quantities are "put" to the government by the producers. In recent years, market demand has been large enough to absorb production. Currently, however, the market is lax and a possible liability to purchase $400 million worth of aluminum "puts", plus others, is facing the government. The producing companies are arguing that we should live up to our original agreement. Should the government consider this liability inescapable we might take another course of action: sell some of these metals already in our stockpile. This prospect is also disturbing to the producing companies, who have been meeting with the government to discuss this problem. Government sales would (a) interfere with their normal marketing, (b) tend to drive prices down possibly dangerously in the present economic situation, and (c) would be a difficult and awkward task for the government. Mr. Gray and Mr. Floete are anxious to discuss this question in Cabinet; Mr. Floete will probably be able to report on the results of his negotiations with the aluminum companies. He will be seeking a Presidential decision on the alternatives facing the government.

PRESENTATION TIME: 25 Minutes

3. Monthly Report on Expenditures and Personnel (Mr. Brundage)

The Budget Bureau is ready with its monthly report on expenditures, expenditures rates and personnel figures -- for the first month of FY 1958. The presentation of these figures has served to remind the Cabinet constantly of the necessity for economy and to bring out weak spots requiring special attention; it is therefore valuable to have these brief presentations continue periodically.

PRESENTATION TIME: 8 Minutes

4. Regional Boundaries (Mr. Gray)

In July 1955, a Cabinet paper was prepared which proposed a transition from the jungle of diverse regional boundary demarcations to a coordinated set. Labor and HEW found difficulty with this proposal, particularly since it involved shifting offices, personnel and similar problems likely to arouse public and Congressional complaint. No action was taken on the Cabinet paper at that time.

During OPERATION ALERT, 1957, Mr. Gray was impressed by the inefficiency of the still-existing jungle of boundary lines, and regards a solution for this problem as necessary for efficient mobilization planning and for proper use of the wartime Regional Mobilization Committees. Mr. Gray has prepared a map which, with overlays, portrays this diversity of boundaries. When he showed it to you last week, you instructed him to bring it to the next Cabinet meeting for discussion.

PRESENTATION TIME: 10 Minutes

5. Report on the Economic Situation (Chairman Saulnier)

Dr. Saulnier's last appointment with you to discuss this subject was August 12. Since that time, new data have come in which make new discussion apropos. It is important that as we enter the fall the

Cabinet as a group have the benefit of the most skillful interpretation possible of the economic trends which at present appear so uncertain. I have emphasized to Dr. Saulnier the importance of making his report succinct.

PRESENTATION TIME: 10 Minutes

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

June 30, 1957

Defense Production Act and Strategic Stockpile Contracts Active at the Present Time

Product	TOTAL Number of Contracts	TOTAL Quantities Involved	Number of Contracts signed After 6/30/53	Quantities Involved	Percent of Total Quantity
Aluminum	10	6,672,000 lbs.	2	282,000 lbs.	4%
Bauxite, Jamaica type *	1	1,900,000 tons	1	1,900,000 tons	100%
Chromite	3	1,128,570 tons	0	0	0
Cobalt	8	95,034,000 lbs	3	49,155,000 lbs	52%
Copper	10	839,000 tons	1	3,600 tons	0.5%
Manganese Ore Metallurgical	7	7,830,000 tons	0	0	0
Molybdenum	2	63,875,000 lbs.	0	0	0
Nickel	8	884,000,000 lbs.	2	280,000,000 lbs.	32%
Titanium	2	15,580 tons	2	15,580 tons	100%
Tungsten	8	3,836,000 short ton units	0	0	0
	59		11		

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* This is a new type of ore not previously used by the aluminum industry.

8/19/57

For the 2:30 meeting today
in Mr. Gray's Office

The [illegible] Library

V-Mat-DMO-3
March 18, 1954

Library

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION

DEFENSE MOBILIZATION ORDER-V-3

SUBJECT: POLICY REGARDING SURPLUS MATERIALS ACQUIRED UNDER THE DEFENSE PRODUCTION ACT

1. Under Title III of the Defense Production Act the Government has undertaken to expand the supply of various strategic and critical materials in order to meet the needs of current defense and non-defense production, to provide materials for the national stockpile and to contribute to the mobilization base. To a large extent these objectives have been met or have proceeded sufficiently to permit the removal of virtually all controls over the use or distribution of materials in civilian markets. In the planning and operation of these materials expansion programs, the rate of expansion for particular materials has necessarily been guided by the need for developing quickly an adequate defense materials position. And this, in turn has required forecasts of factors affecting supply and consumption for several years in advance.

For the most part, the increased production from these expansion programs has been readily absorbed by the combined needs of Government and industry. In a few cases, however, the Government has acquired supplies of materials that are surplus to the immediate needs of both. The purpose of this order is to establish a policy for dealing with surplus materials that have been acquired under the Defense Production Act or may be acquired in the future.

2. It is the objective of the Office of Defense Mobilization to make certain that surplus materials acquired by the Government under expansion program contracts do not produce serious adverse market effects or otherwise create major problems for industry. To accomplish this objective, the policy of the Office of Defense Mobilization is declared to be:

a. Within the limits of those portions of the stockpile objectives not on hand or on order, surplus stockpile materials acquired under the expansion programs of the Defense Production Act will be set aside for procurement for the national stockpile.

In addition, stockpile materials acquired under Defense Production Act programs will be held and earmarked against those portions of stockpile objectives on order but not delivered until such delivery is made. At that time they will be handled in accordance with paragraphs b, c, and d below.

b. In each case where surplus materials are acquired by the Government under the Defense Production Act, full consideration will be given to the Defense Production Act Amendments of 1953. These amendments provide that materials acquired under expansion programs "which in the judgment of the President, are excess to the needs of programs under this Act, shall be transferred to the national stockpile established pursuant to the Act of June 7, 1939, as amended (50 U.S.C. 98-98h), when the President deems such action to be in the public interest."

c. Where the stockpile objective has been completed and it is determined that the public interest will not be served by transfer to the national stockpile of a surplus acquired under an expansion program, the surplus will be held by the Government for eventual disposal. However, such disposal will not be made, either in whole or in part, without clear indication that such action will not have a serious adverse effect upon market prices or create major market fears or uncertainties, and without the prior approval of the President or an official specifically designated by him.

d. Generally where the sale of surplus materials acquired under the Defense Production Act is undertaken and the quantity is substantial in relation to annual market consumption, such disposal will be made only after public announcement, well in advance of disposal, of (a) the total quantity to be sold, (b) the markets in which the material will be offered, (c) the minimum market price or prices that must prevail at the time of sale, and (d) the maximum amounts that will be offered for sale in each calendar quarter or other appropriate period.

3. This order will be effective immediately.

OFFICE OF DEFENSE MOBILIZATION

Arthur S. Flemming
Director

Administratively Confidential

General Services Administration

Analysis of Government Exposure Under Raw Materials Active Contracts
As of June 30, 1957
(In Thousands of Dollars)

	Contract Total	Deliveries to Gov't Thru 6/30/57	Delivery Rights Expired Thru 6/30/57	Remaining Maximum Exposure Total	FY 1958	FY 1959	After FY 1959
uminum	$1,520,388	$ 240,036	$ 741,245	$ 539,105	$325,170	$ 96,067	$117,868
Bauxite	25,650	5,783	-	19,867	4,191	5,475	10,201
Chrome	54,925	31,632	-	23,293	7,340	6,856	9,097
Cobalt	206,534	74,476	-	132,058	21,978	21,642	88,438
Copper	474,094	66,683	172,937	234,475	82,264	73,480	78,731
Manganese	428,705	82,548	25,650	320,507	76,460	69,202	174,845
Molybdenum	67,063	8,707	-	58,356	9,996	9,996	38,364
Nickel	770,097	150,826	75,857	543,414	56,289	64,642	422,483
'tanium	99,225	54,315	-	44,910	44,910	-	-
Tungsten	167,102	124,583	-	42,519	29,795	8,947	3,777
Grand Total All Programs	$3,813,783	$ 839,589	$1,015,689	$1,958,504	$658,393	$356,307	$943,804

Note: These materials account for approximately 97% of dollar value on active raw material contracts as of June 30, 1957.

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GENERAL SERVICES ADMINISTRATION

Analysis of Government Exposure Under Raw Material Active Contracts

(In Thousands of Dollars)

Commodity	Maximum Exposure 1958	Probable Acquisition 1958	Reduction
Aluminum	$ 325,170	$ 200,900	$ 124,270
Bauxite	4,191	4,191	0
Chrome	7,340	6,340	1,000
Cobalt	21,978	21,978	0
Copper	82,264	70,000	12,264
Manganese	76,460	47,460	29,000
Molybdenum	9,996	6,996	3,000
Nickel	56,289	0	56,289
Titanium	44,910	44,910	0
Tungsten	29,795	29,795	0
Totals	$ 658,393	$ 432,570	$ 225,823
Add: Purchases of miscellaneous commodities		50,000	
Total		482,570	
Less: Amount included in 1958 budget		285,000	
Estimated excess		$ 197,570	

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pls. return to Mr. Brundage.

PRESENTATION FOR CABINET

August 23, 1957

Monthly Report on Expenditures and Personnel

Chart 1. Final report of expenditures for fiscal year 1957 as compared with agency plan.

Chart 2. Personnel total by departments at June 30, 1957, compared with the previous year.

Chart 3. June 30, 1957, personnel level as compared with January 31, 1957.

Chart 4. The budget expenditures for the month of July compared to the previous July 1956 and June 1957. Personnel figure for July not yet available.

* * * * *

1958 Apportionments

I might say a word, Mr. President, about our apportionments for fiscal 1958. Pursuant to the policy adopted in June, we have in general apportioned the first quarter of fiscal 1958 at the approximate level of fiscal 1957, wherever feasible, and have asked for modified requests for the balance of 1958. Appeals have been received from a number of agencies and most of the differences have been resolved either with the agencies direct or in a few cases with the help of Governor Adams.

I think we must constantly bear in mind that Congress and the people of the country are generally in favor of increasing programs while reducing expenditures and also reducing Federal personnel levels. This is the fundamental reason that we have been having so much difficulty and will continue to have. However much we can hold down expenditures for 1958, programs will inevitably go up in certain areas and personnel will increase in areas other than Defense.

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I think I might also mention that there seems to be some doubt in the minds of some departmental staff as to whether their responsibility is to the President or to the Congress. I think it is up to the members of the Cabinet to clarify that question.

* * * * *

Fiscal 1958 NOA and Expenditures

Several questions have been asked about the results of congressional actions to date and whether we have made any new estimates of expenditures for fiscal 1958. We cannot prepare our regular Midyear Review until after Congress adjourns but we hope to be able to have the figures available approximately two weeks after adjournment.

Assuming that the Congress passes the appropriation bills, which are now under consideration, in approximately their present form, the new obligational authority for 1958 will be around $67.3 billion as compared with $64.7 billion proposed in the budget under existing legislation plus $8.6 billion under proposed legislation, or a total of $73.3 billion.

Part of these reductions were volunteered by the Administration and part were the use of working fund capital, and other adjustments which were not real savings. The actual expenditures estimated in the budget at $71.8 billion may be held down to that or a smaller figure depending on the following factors:

1. That Defense is able to hold its expenditures within the $38 billion figure.

2. That the postal rate increase is obtained ($450 million).

3. That the pay increases do not become law, which would cost $800+million.

4. That Agriculture expenditures for C.C.C. and the Soil Bank are kept within the estimates which seems possible, but which might run $500 million over.

Metal purchases under contracts already discussed
$200 million - $400 million

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5. And that the departments and agencies continue their rigorous efforts to hold their expenditures below their January estimates.

You have indicated, Mr. President, that increased provisions in the 1958 budget either for new programs or for expansion of existing programs should be reexamined in an effort to hold expenditures down as close to the 1957 level as feasible.

Pres said Congs had right to direct
spending but not rate - they provide authority
to spend but not money - if debt ceiling

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For the Director's Presentation before the Cabinet

Friday, August 23, 1957

We are in the process of reviewing the several department and agency personnel control plans submitted to us in accordance with the Cabinet memorandum to each of you dated July 11.

Some of the plans are satisfactory--others do not appear to meet adequately the President's objectives. The effectiveness of all the plans, regardless of method, depends primarily upon the will and determination of the individual department head to make them work.

Each of you, without exception, has been requested to participate in the effort to control Federal employment. We recognize that several departments have some expanded programs in 1958, approved by the President and the Congress, which will mean increasing personnel in certain areas. In these instances the department head will be expected to indicate the steps he is taking to make offsetting reductions in other, less-affected areas.

You will be receiving our comments on the individual plans in the near future.

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Supporting statement

1958 NEW OBLIGATIONAL AUTHORITY
(In millions)

	Budget document	Submitted by Adminis.	Enacted by Congress	Congressional change
Enacted to date:				
Department of Defense	$36,177	$36,177	$33,819	-$2,358
Treasury-Post Office	8,806	8,806	8,726	- 80
Department of Agriculture and FCA	4,961	4,707	4,382	- 325
Independent Offices:				
Veterans Administration	4,890	4,890	4,666	- 224
Other	1,074	1,074	749	- 325
Legislative Branch	95	100	98	- 2
General Government Matters	21	21	16	- 5
Department of Commerce and Related Agencies	911	902	706	- 196
Department of the Interior and Related Agencies	648	648	589	- 59
Public Works	906	887	869	- 18
Departments of Labor, and Health, Education, and Welfare	3,043	3,043	2,936	- 107
Departments of State and Justice, the Judiciary, and Related Agencies	674	672	570	- 102
District of Columbia	42	42	32	- 10
Post Office Supplemental	-	150	133	- 17
Saint Lawrence Seaway Development Corporation (H. R. 5728)	35	35	35	-
Housing Bill of 1957 (H. R. 6659)	1,025	875	1,990	+ 1,115
Total, enacted to date	63,308	63,029	60,316	- 2,713
Pending before Congress:				
Mutual security program	4,400	3,865	*3,000	*- 865
Atomic Energy Commission	2,520	2,514	*2,300	*- 214
Military public works	2,187	1,730	*1,536	*- 194
Postal rate increase	-654	-462	* -	*+ 462
Small Business Administration	76	103	* 102	*- 1
Tennessee Valley Authority, Burke airport, and other items in consolidated 1958 supplemental	57	146	* 86	*- 60
Total, pending before Congress	8,586	7,896	*7,024	*- 872
Not yet submitted:				
School construction	451	-	-	-
Department of Defense, other military programs	136	-	-	-
Veterans Administration (Bradley Commission recommendations)	100	-	-	-
Other proposed legislation items	260	-	-	-
Total, not yet submitted	947	-	-	-
Allowance for contingencies	500	-	-	-
Grand total	73,341	70,925	67,340	- 3,585

6 25

* Estimates of probable action.

August 22, 1957

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Notes. Chart 1

NOTES ON BUDGET EXPENDITURES FOR 1957 - REVISED FINANCIAL PLAN COMPARED WITH ACTUAL

(In millions)

Agriculture		+$123
Soil bank ($1,009 to $499)	-$510	
Commodity Credit Corporation ($2,226 to $2,881)	+ 655	
Other ($1,663 to $1,641)	- 22	
Reduction in soil bank participation more than offset by increase in CCC because of increased cotton loans and reduced commodities sales.		
Commerce		- 67
Primarily lag in CAA construction.		
Health, Education, and Welfare		- 71
Grants to States for public assistance ($1,600 to $1,556)	- 44	
Other ($766 to $739)	- 27	
Smaller advance payments of grants to States in June for month of July than anticipated.		
Interior		- 51
Largest reductions in acquisition of strategic minerals, fisheries loan fund, and construction.		
Post Office		+ 37
Increase in mail volume.		
General Services Administration		- 97
Stockpiling ($422 to $360)	- 62	
Other ($245 to $210)	- 35	
Stockpiling acquisitions from DPA account lower than expected.		
Housing and Home Finance Agency		- 428
FNMA debentures about $400 higher than planned.		
All other		- 733
Allowance for contingencies ($250 to 0)	- 250	
Export-Import Bank ($347 to -$100)	- 447	
Loan to Britain didn't materialize.		

August 22, 1957

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Chart 2

BUDGET STATUS REPORT

Executive Branch Civilian Employment

	June 30 1956	June 30 1957	Difference + or -
Cabinet departments:			
Agriculture	89,398	95,988	+ 6,590
Commerce	47,175	52,250	+ 5,075
Defense:			
Military	1,153,536	1,133,440	-20,096
Civil - Corps of Engineers	26,300	27,474	+ 1,174
Health, Education, and Welfare	46,058	52,591	+ 6,533
Interior	54,143	56,005	+ 1,862
Justice	30,876	30,613	- 263
Labor	5,795	5,927	+ 132
Post Office	508,587	521,198	+12,611
State	22,237	22,505	+ 268
Treasury	77,781	78,376	+ 595
Total, Cabinet departments	2,061,886	2,076,367	+14,481
Other agencies:			
Atomic Energy Commission	6,637	6,910	+ 273
Mutual security program	10,168	11,449	+ 1,281
Veterans Administration	176,653	174,022	- 2,631
General Services Administration	26,426	27,410	+ 984
Housing and Home Finance Agency	10,162	9,893	- 269
All other agencies	80,056	82,989	+ 2,933
Total, other agencies	310,102	312,673	+ 2,571
Grand total	2,371,988	2,389,040	+17,052

civilian agencies up 1½%

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2371 | 17.00
16

August 21, 1957

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Chart 3

BUDGET STATUS REPORT

Executive Branch Civilian Employment

	1957 Jan. 31	1957 June 30	Difference + or -
Cabinet departments:			
Agriculture........................	81,747	95,988	+14,241
Commerce...........................	47,329	52,250	+ 4,921
Defense:			
Military.........................	1,148,943	1,133,440	-15,503
Civil - Corps of Engineers......	25,076	27,474	+ 2,398
Health, Education, and Welfare....	50,125	52,591	+ 2,466
Interior...........................	48,920	56,005	+ 7,085
Justice............................	30,766	30,613	- 153
Labor..............................	5,923	5,927	+ 4
Post Office........................	521,599	521,198	- 401
State..............................	22,324	22,505	+ 181
Treasury...........................	79,215	78,376	- 839
Total, Cabinet departments....	2,061,967	2,076,367	+14,400
Other agencies:			
Atomic Energy Commission..........	6,713	6,910	+ 197
Mutual security program...........	10,666	11,449	+ 783
Veterans Administration...........	177,718	174,022	- 3,696
General Services Administration...	27,162	27,410	+ 248
Housing and Home Finance Agency...	9,934	9,893	- 41
All other agencies................	80,740	82,989	+ 2,249
Total, other agencies.........	312,933	312,673	- 260
Grand total...................	2,374,900	2,389,040	+14,140

August 21, 1957

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Chart 4.

BUDGET STATUS REPORT

Budget Expenditures
(In millions)

	Month of July	Month of July		Month of June
	Fiscal year 1957	Fiscal year 1958		Fiscal year 1957
Cabinet departments:				
Agriculture...........................	$218	$681	Soil Bank CCC	$547
Commerce..............................	108	49		47
Defense:				
Military...........................	2,480	3,200		3,160
Civil - Corps of Engineers.........	45	61		54
Health, Education, and Welfare......	185	257	grants to states	144
Interior..............................	41	49		43
Justice...............................	17	16		17
Labor.................................	31	56	grants to sts	55
Post Office...........................	62	50		43
State.................................	36	41		17
Treasury..............................	694	720	interest	778
Total, Cabinet departments..	3,917	5,180		4,905
Other agencies:				
Atomic Energy Commission..............	140	170		196
Mutual security.......................	419	383		561
Veterans Administration...............	363	383		414
General Services Administration.....	39	43		100
Housing and Home Finance Agency.....	87	100		-51
Defense production expansion........	8	16		1
All other agencies....................	569	72	retirement fund distr	64
Total, other agencies.......	1,625	1,167		1,285
Grand total........................	5,542	6,347		6,190

mil 700
civ 400

personnel for July not available yet

August 21, 1957

CABINET PAPER—PRIVILEGED

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CA - 57-84

October 8, 1957

The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday, October 11, 1957

1.	FY 1959 Budget Review and Prospectus	(Oral)	The Director, Bureau of the Budget; The Secretary of the Treasury; Hon. Meyer Kestnbaum
2.	Results of the Second Meeting of the Joint Federal-State Action Committee	(Oral)	The Secretary of the Treasury
3.	Defense Department Cutbacks	(Oral)	The Secretary of Defense The Deputy Secretary of Defense; Hon. Clarence Randall

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

MINUTES OF CABINET MEETING

October 11, 1957
9:00 A. M. -- 11:00 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. Herter
  (for Sec. Dulles)
Sec. Anderson
Sec. McElroy
Mr. Brownell
Mr. Summerfield
Under Sec. of Interior Chilson
  (for Sec. Seaton)
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage
  and Deputy Director Stans
Deputy Director of ODM Cooley
  (for Mr. Gray)
Mr. Paul W. McCracken
  (for Dr. Saulnier

Deputy Secretary of Defense Quarles
Asst. Sec. Defense W. M. McNeil
  and Mr. Max Lehrer
Arthur Larson, USIA
Leo A. Hoegh, FCDA
Franklin Floete, GSA (in part)
James H. Smith, Jr., ICA (in part)
Fred C. Scribner, Treasury

Gov. Adams
Gen. Persons
Mr. Rabb

Mr. Randall
Gen. Cutler
Mr. Kestnbaum
Gen. Bragdon (in part)
Mr. Stambaugh (in part)
Gov. Pyle (in part)
Gen. Goodpaster
Mr. Harlow
Mr. Martin
Mr. Jack Anderson
Mr. Siciliano
Mr. McCabe
Mrs. Wheaton
Mr. Warrington (in part)
Mr. McPhee
Mr. Patterson
Mr. Minnich

The President opened the meeting by stressing the difficulties occasioned by the absence of Cabinet members at the end of a Congressional session when important business remains to be cleaned up. The President felt it essential for Cabinet officers to remain in Washington even though required to revise their plans when necessitated by Congress remaining in session longer than expected.

Budget Report - Mr. Brundage noted that the recently published Mid-Year Review provided a current picture of the status of the 1958 budget.

Mr. Brundage then spoke of the various economic factors that would affect Treasury receipts for FY 1959 which might run as low as $72 B or as high as $76 B. He thought a fair estimate for the 1959 budget would be $74 B.

Mr. Brundage then noted preliminary agency estimates totaling $72 B. In addition, new legislation -- including an expected pay raise and contingency allowance -- increased the estimate to $74 B. This left no margin for the tax reduction which Mr. Brundage thought inevitable. He concluded that some way must be found to reduce expenditures by as much as $4 B.

Mr. Brundage then reviewed increases and decreases in the personnel levels of the various departments. Notably, Post Office showed a 2-1/2% increase in personnel, whereas its volume had increased 3-1/2% over the same period.

The President commented on his disappointment at the net increase, and asked that the Cabinet officers have their personnel officers be in touch with his Special Assistant.

The President also foresaw a gloomy situation on the 1959 budget when increasing defense costs per unit would make it extremely difficult to stay within $38 B for that department. He expected that most Members of Congress would press for increased expenditures. He concluded that proposals for new legislation would have to be resisted and also that he was not convinced that action had to be initiated on some new legislation already enacted. Mr. Brundage commented on the pressure from Sen. Johnson for initiating work on three projects. Mr. Brundage noted that his reply to the Senator was phrased in terms of abiding by the Congressional instruction to stay within the debt limit. The President then emphasized the need for close attention by Cabinet officers to these problems, otherwise the objective could not be reached. He saw some possible merit in submitting a budget which would make a showing of costs of those programs which the Administration wished to carry and excluded those it was forced by Congress to carry. He repeated his feeling that rising costs made a figure of $39.5 B more realistic for Defense than $38 B.

The President then stressed that the Bureau of the Budget was his representative in keeping fiscal affairs in order, that the Bureau would make the plea for special items requiring increases, and would be generally helpful -- hence should not be regarded hostilely, as an Inspector General.

The President concluded that the Administration must continue to try to keep its fiscal house in order despite increased tensions with which we would have to learn to live for a long time. Nevertheless, he did not believe that it would be proper to make arbitrary across-the-board rules against increases.

Sec. Anderson then reviewed in additional detail the factors affecting estimates for Treasury receipts for FY 1959. He appreciated the critical defense problems but also believed that we should not let Russia impair the soundness of our economy. He was not quite so inclined as Mr. Brundage to estimate receipts at $74 B. He felt the Administration should try to set the budget level at $70 B, and he suggested that the departments present a list of figures and actions that would be necessary to cut down to $70 B. The possibility of a turndown in the economy in 1958 seemed to him to increase the need for a surplus that would make possible the eminently desirable tax reduction, as in 1954. Such reduction would have particular psychological value.

Mr. Kestnbaum then outlined an approach he was developing for identifying and acting on specific programs, such as Defense Department's medical services, where major savings might be made. Other possible areas in the field of medical care existed with regard to the Merchant Marine, HEW, and the Veterans Administration.

The President then cautioned Sec. McElroy that there would be some people in his Department who would try to force an alleged choice between security and a sound budget, whereas both were necessities and the proper balance must be struck.

The Postmaster General noted the higher cost of money and thus the greater cost to the Government in supporting low interest rate programs, and added a remark about irrigation project repayments spread over fifty years at no interest.

The Vice President reviewed the political pressures for tax reduction but asserted the Administration would err in encouraging any expectation of a tax cut, particularly since the satellite development could change the temper of the country rapidly. He believed the Administration must stand ready if necessary to oppose strongly any tax cut move, so as to maintain a balanced budget and provide security. The President firmly seconded this comment. Sec. Benson reverted to REA interest rates. He thought any change, however, to be desirable, would have to be done in general legislation. The President reaffirmed this as the Administration's desire.

Federal-State Relations (CI 57-49/1) - Sec. Anderson briefly reviewed the progress report of the Federal-State task force, indicating that the gubernatorial members had agreed the States should assume responsibility for the programs of vocational education, municipal waste disposal, and certain aspects of disaster relief. The Governors rejected the idea of assuming the school lunch program and supplementary old age assistance.

Mr. Anderson indicated that Administration officials and the Governors had agreed on the desirability of a tax credit to the States based on the

Federal tax on local telephone calls. This amount would somewhat exceed the cost of the programs to be turned back, caused largely by variations in the patterns of State taxes and populations. Mr. Anderson then indicated plans for further consideration of other programs.

The President, in connection with the school lunch matter, expressed his feeling that the principle of separation of church and state was not really applicable to fringe activities like this and school buses, etc. The Vice President added a word about the burden that would be placed on the public schools if private schools turned their 23% of the school population back to the public system.

Sec. Folsom thought Congress might strongly oppose the tax return proposal because of the great variations among States. The President was not optimistic about the reaction from Congressmen who wanted to rely wholely on sharply graduated income taxes as a matter of "principle."

Military Cutbacks - Mr. Randall reported the measures taken to consult interested parties regarding closures and cutbacks of military installations, especially the Departments of Commerce and Labor which had large interests in the areas affected.

Mr. Quarles remarked on the rapidity of the action needed to reduce the rate of Defense expenditures from the unduly high level at the end of FY 1957 ($43 B. rate) to the desired level for the first part of FY 1958 ($41-1/4 B. rate). He noted that the cutbacks, which were primarily of personnel and procurement, had most affected the aircraft industry. He presented extensive figures on Defense expenditures and described the new lag in spending as largely causing the lower statistics in certain sections of the national economy. He noted optimistically that the average weekly earnings of aircraft production workers had recently started upwards after a sharp drop. He also presented figures on the reduction of military personnel, of which about one-fifth of the total scheduled for the year had been accomplished during the first quarter. He stated that the Air Force had as yet done very little in this regard, whereas the Navy had almost completed its action.

The President noted that the appropriation this year was somewhat lower than what the Administration had requested. He wondered whether Congress was forcing a reduction of the annual carryover, or whether it was headed for a steadily lower program.

Mr. Randall summarized by praising the Pentagon handling of this difficult action and noting that the hardest part had been accomplished already and had not been the cause of any panic in the economy.

The President recalled that a much larger cutback had been effected in 1953. He then noted that this action was really the result of the decision

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By ______ NLE, Date ______

to give the services a New Look as developed over the past five years. He said that we have to push forward in the new missiles programs even though manned airplanes remain important despite Mr. Khrushchev assertion to the contrary.

The President urgently requested the Cabinet to work with Budget in an effort to reduce requests to $70 B. even though we might not get exactly to that amount. He still believed in the worth of our 1952 objectives.

Sec. Anderson remarked in passing that the Treasury balance on September 30 was at the critically low level of less than one billion dollars.

* * * *

The Vice President, on behalf of the Cabinet, presented to the President a drawing of the pine trees which constituted the Cabinet's birthday gift to the President for his farm. The President expressed appreciation and joked that he almost had forgotten the fact of a birthday until reminded by a remark in a letter received this very morning.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

RA - 57-84

October 14, 1957

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, October 11, 1957:

1. FY 1959 Budget Review and Prospectus

ACTION:

a) The President set forth the following general stipulations:

i - Preserving the nation's security and following sound budgetary and debt policies are interdependent and the Administration is going to follow a balanced course which accomplishes both objectives.

ii - The clearly necessary Defense expenditures have an overriding priority over less important programs.

iii - The Administration will hold to a minimum its own legislative program involving increased expenditures, will resist proposals for new legislation and increased expenditures which are outside its program, will in the meantime avoid increasing the level of expenditures and will wherever possible defer making starts at this time on new projects.

iv - Consideration will be given to proposing in the Budget Message program changes which would reduce expenditures, and to budgeting expenditure reductions in these and other existing programs, the determining factor being the overall good of the United States.

b) The President reaffirmed that the overall budget goal for FY 1959 is $70 billion, and if possible, somewhat less.

c) The President asked that each Department and Agency Head make a fresh personal review of his requests for FY 1959 appropriations, under both existing and proposed legislation, and show how these requests will be pared down to achieve the goal stated above.

d) The President emphasized what constitutes the fiscal role of the Bureau of the Budget:

i - It is the President's own representative and agent for keeping the Administration's financial affairs in order;

ii - In furtherance of this role, the Bureau exists to help Departments and Agencies carry out the President's budgetary policies.

e) Mr. Kestnbaum will work with the individual Departments and Agencies to carry out organizational and administrative simplification which will contribute to the achievement of the President's budget goal.

f) The President again stressed the need for strict controls over the hiring of personnel; such controls must remain the personal responsibility of each Department and Agency Head, and must be implemented thoroughly by each personnel chief.

g) The President affirmed that any statements or implications regarding actions having reference to matters of tax reduction are premature and should be assiduously avoided by all Administration officers.

2. Results of the Second Meeting of the Joint Federal-State Action Committee

ACTION:

The Cabinet noted and discussed Secretary Anderson's report, as summarized in CI - 57-49/1.

3. Defense Department Cutbacks

Information Item Only.

ADDITIONAL ITEM:

A. Cabinet-Level Attendance

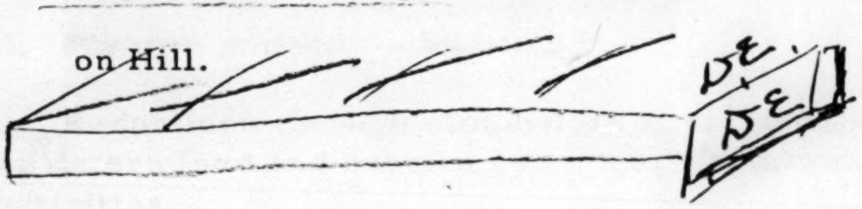
ACTION:

The President strongly suggested to his Cabinet members that each should plan to be present personally in Washington during such crucial periods as the closing days of a Congressional session. Recognizing that it may be difficult to forecast the end of a session, Cabinet members' schedules in such periods should be made subject to cancellation.

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

Once you said something also about speaking to Cabinet at first fall meeting about necessity for each member being in town when legislative program of that particular Department was up for discussion on Hill.



Topics for Cabinet Discussion of next year's program

1. Over-all budget prospects -- total income and total expenditures if present trends continue.

2. Major decisions and actions needed:

   a. Civilian pay increase -- how much; when firm recommendations are to be ready. Committee Oct 25th

   b. Cordiner Committee implementation -- total costs; how much to be absorbed; when firm recommendations to be ready.

   c. Tax cut -- how much; when to be announced. if any

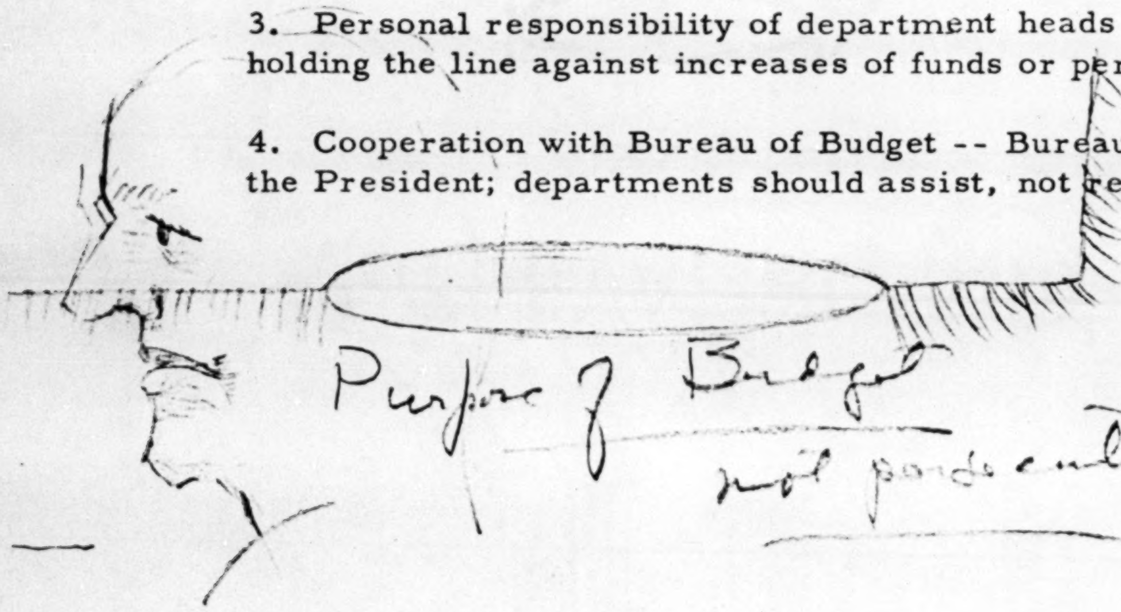
   d. Planned surplus -- how much.

   e. Reductions through elimination of services -- how to be determined and carried out; Mr. Kestnbaum's activities.

   f. Reductions which Congress may not accept -- budget to include reductions which are meritorious, even if unlikely to be approved by the Congress.

3. Personal responsibility of department heads -- budgetary cuts; holding the line against increases of funds or personnel.

4. Cooperation with Bureau of Budget -- Bureau of Budget acting for the President; departments should assist, not resist. ✓



Purpose of Budget
not persecution.

THE WHITE HOUSE
WASHINGTON

October 5, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Agenda for the Cabinet meeting of October 11, 1957

The following items have been listed on the agenda for the Cabinet meeting at 9:00 A.M. on Friday, October 11, 1957:

1. Budget Review and Prospectus (Mr. Brundage, Secretary Anderson, Mr. Kestnbaum)

The staff here feels that at the first Cabinet meeting of the Fall you and the Cabinet members should have a review of the following:

a) The shape of the FY 1959 budget, based on the requests now being made to the Bureau of the Budget by the departments and agencies. These requests total roughly $73 billion -- or $2.5 billion in excess of the "allowable" figure which you set at the Cabinet meeting of June 21, 1957 (as since revised: $70.6 billion).

b) The Treasury Department's projection of the range of anticipated revenues for next year: $74 billion --- plus or minus.

c) Mr. Kestnbaum's summary of all the organizational and administrative measures which, based on his analyses in the past two years could be taken in order to have an impact on the reduction of FY 1959 expenditures.

d) Your own views and decisions on the basic policy directions we are to follow. If we are to continue having a balanced budget, but also have a tax cut and a pay raise, the difference between the budget request and the revenue estimates must be kept large enough to allow for them adequately. This may mean grinding the agency budget requests down again in the neighborhood of $70-71 billion.

Prior to the meeting, Governor Adams, Mr. Brundage and other staff members will present you with a full briefing on this subject and recommendations for the manner of discussing it at Cabinet.

2. Results of the Second Meeting of the Joint Federal-State Action Committee (Secretary Anderson)

Closely related to the above item and, in effect, an integral part of it, will be Secretary Anderson's report to you and the Cabinet on the second meeting of the Committee which has just taken place in Chicago. It is believed that concrete proposals are being discussed there, with a likely Federal commitment to prepare draft legislation for next January.

This Cabinet presentation will save your time by simultaneously being the occasion at which a report on the Committee meeting is given to you and also the time at which major action proposals are discussed with you in the presence of the many members of the Cabinet who are very directly concerned with the work of the new Committee.

The action part of Mr. Anderson's presentation will in fact be completely in line with the Cabinet's assignment for the Fall as expressed in your recent memorandum: to review the Administration's major legislative proposals for next year, particularly in conjunction with the preparation of the State of the Union Message.

PRESENTATION TIME: 20 minutes

3. Defense Department Cutbacks: Scope and Domestic Effects (Mr. McElroy, Mr. Quarles, Mr. Randall)

The Department of Defense is making manpower, expenditure and contract cuts, as directed by you. It is believed that an over-all run-down of the magnitude of these cuts would be valuable to you and the Cabinet in order to get the best possible assessment of the political and economic repercussions to expect. Mr. Randall is already assisting the Deputy Secretary of Defense in arriving at such assessments, but in view of the great interest in this phase of the economic situation, complaints and criticisms are likely to be aimed at the Administration as a whole. You and the Cabinet members generally will hardly be able to avoid being asked about the size and effect of these cutbacks.

PRESENTATION TIME: 25 minutes

Maxwell M. Rabb BWP

Maxwell M. Rabb
Secretary to the Cabinet

1959 Preliminary Expenditure Estimates - based on agency requests

	$Billions
1958 Current Estimates	$72.0
1959 President's Stated Goal	70.0
Tentative Agency Requests (excluding new legislation)	72.0
New Legislation	
Proposed by Agancies	.7
Pay Increase for military and civilians (assuming absorption of full cost of military pay increase and part cost of civilian pay increase by Department of Defense within $38 billion total, plus some absorption by other agencies.)	.8
Other items within the President's program.	.1
Allowance for Contingencies	.4
Total	74.0

1959 Expenditures

agency estimates compared with "allowables"

$ Millions

MAJOR PROTECTION	Allowable 1/	Agency Estimates 1/ (Tentative)	Estimate (over(+) under (-) Allowable
Defense - Military	$38,000	$38,000	
Mutual Assistance	1,850	2,200	$ + 350
Mutual Security			
Defense Support and Other	1,650	1,700	+ 50
Atomic Energy	2,275	2,495	+ 220
Stockpiling (GSA)	270	270	
Defense Production	70	162	+ 92
Subtotal	44,115	44,827	+ 712
OTHER CABINET			
Agriculture	4,750	5,223	+ 473
Commerce	730	814	+ 84
Defense - Civil, Corps of Engineers	690	710	+ 20
Health, Education, & Welfare	2,450	2,827	+ 377
Interior	680	838	+ 158
Justice	230	235	+ 5
Labor	429	440	+ 11
Post Office	40	40	
State	220	232	+ 12
Treasury - Interest	7,861	8,100	+ 239
Other	829	856	+ 27
Subtotal	18,909	20,315	+ 1,406
OTHER AGENCIES			
Veterans Administration	4,850	5,067	+ 217
Gen. Serv. Admin. (except stockpiling)	310	307	- 3
Housing & Home Finance Agency	450	510	+ 60
All other 2/	1,100	987	- 113
Subtotal	6,710	6,871	+ 161
Grand Total	69,734	72,013	+ 2,279

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CI - 57-49/1

October 8, 1957

The White House
Washington

THE CABINET

Summary of the Second Meeting of the Joint Federal-State Action Committee

For information of the members of the Cabinet and their senior staff officers concerned, attached is a summary of the second meeting of this Joint Federal-State Action Committee, appointed by the President and by the Chairman of the Executive Committee of the Conference of Governors. This meeting was held in Chicago on October 3-4, 1957.

This summary has been prepared by the Executive Director for the Federal Members. (For a list of the Committee and its staff refer to Cabinet Paper CI - 57-49 of August 16, 1957).

Attached to this summary are copies of the resolutions submitted to the Committee by Governor Daniel of Texas (cf Item 11 of the summary).

It is suggested that members of the Cabinet bring this document with them to the Cabinet meeting of October 11, in conjunction with Item 2 on the Agenda.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

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SUMMARY OF THE SECOND MEETING OF THE JOINT FEDERAL-STATE ACTION COMMITTEE

The Joint Federal-State Action Committee met in Chicago, October 3 and 4, 1957. Governors present were: Dwinell, Stratton, Roberts, Docking, McKeldin, Anderson, Leader, and Smylie; representatives attended for Governors Daniel and Coleman. The Federal Committee included Secretarys Anderson, Mitchell, Folsom, Budget Director Brundage, Governor Pyle, General Bragdon, and Mr. Kestnbaum. Federal consultants and State and Federal staffs were present. The Committee transacted the following business:

1. The Committee agreed that (a) the states should assume full financial responsibility for the older vocational education programs, and (b) the Federal Government should abandon its present grants for this program, currently amounting to $41 million. In stressing the importance of this program, the Committee made the point that its effectiveness would not be impaired in the shift. It was agreed to work out the details of the shift to full state responsibility in an orderly and practicable manner.

The Committee directed the staffs to re-examine the feasibility of turning over to state auspices the full financial responsibility for the newer vocational education programs in the fields of practical nursing and the fisheries trade and industry, and to prepare reports thereon for the next meeting of the Committee.

The above was passed without dissent.

2. The Committee agreed that the financing of municipal waste treatment plants is a state-local responsibility and that Federal grants, presently in the amount of 50 million dollars annually, for the construction of such plants should be terminated. State action to assist localities by loans, grants, tax and bonding liberalization, was agreed on, depending on the nature of the financial requirements in the various states. The withdrawal of Federal financial support was premised on the development of a practicable plan to effect the transition. A majority vote favored this action; Governor Roberts (Rhode Island) entered a dissent.

3. The Committee agreed to a clarification and definition of Federal-State-local financial responsibility for the repair and restoration of public facilities damaged by natural disasters. (The '58 Budget includes 18 million dollars for this purpose.) This to be accomplished by the acceptance of a schedule of minimum amounts of funds to be spent or authorized by state-local sources before the governors would request Federal aid. The Committee requested the staffs to revise the suggested schedules presented at the meeting and to come up with another proposed schedule for consideration at the next meeting of the Committee.

4. The Committee did not agree on the proposal to shift the full financial responsibility for the school lunch and milk programs of the states. Over half the state constitutions forbid state subsidies to private schools. The proposed shift would mean that these schools would not receive the financial aid they are now getting directly from the Federal Government. Opposition to the proposed shift was voiced by Governors McKeldin, Leader and Roberts; the other Governors favored the shift to full state financial responsibility. Because of the strong minority opposition, the staffs were directed to re-examine this program and to prepare another proposal for later consideration by the Committee.

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5. No agreement was reached by the Committee on the proposal to increase to 50 percent the state share of the costs of supplementary old age assistance to OASI beneficiaries and to reduce the Federal share from 80 percent to 50 percent (on the first $30). Governors McKeldin (Maryland) and Leader (Pennsylvania) saw no reason to change the present financial sharing; Governor Stratton (Illinois), supported by Governors Anderson (Nebraska), Docking (Kansas), and Smylie (Idaho), felt the proposal did not go far enough in reducing Federal financing and administrative authority. Since no Governor liked the proposal, the staffs were directed to re-examine this problem in wider scope, including all old age assistance as well as supplemental, and to prepare new proposals for consideration by the Committee.

6. The Committee agreed to request the President to propose to Congress that 40 percent of the present Federal local telephone tax be credited against the payment of state-local telephone taxes, thereby providing the states with additional tax sources to finance the responsibilities agreed to above, if they wish to take advantage of the credit provision. Full use of this arrangement would provide the States with an additional 150 million dollars of tax resources. Under the proposal as accepted, the tax credit would continue for five years, after which time the present Federal tax would be reduced 40 percent, leaving it to the states to continue or abandon the telephone taxes imposed by them under the tax credit arrangement. This tax credit proposal was advanced as a means of offering the states tax revenues in reasonable relation to the added costs they would assume under the agreements set forth in paragraphs 1, 2 and 3. Subsequent agreement to additional financial responsibilities by the states would call for possible increases in the tax credit proposal.

7. Speaking for the Federal group, the Secretary of the Treasury indicated a willingness to propose to the President that he request Congress to relinquish in addition a number of miscellaneous excises, for state and local absorption if desired, in return for state-local assumption of additional program responsibilities from the Federal Government. Such added tax sources must bear a reasonable relationship to the added financial responsibilities assumed by the states and localities.

8. The Committee agreed to establish a technical committee of the staffs to study the feasibility of changing and increasing the tax credit in the Federal estate tax in order that the states might obtain larger tax revenues to support additional responsibilities that they might assume from the Federal Government in the future. The technical committee was also directed to study a possible reduction in the Federal tobacco tax as a means of adding further to state tax revenues in exchange for increased responsibility.

9. Governor Leader urged that tax credits be contingent upon State agreement to maintain the programs at present levels. This was opposed as too inflexible by Governors Stratton, Anderson, Smylie, and Docking. The matter was not considered further.

10. The Committee reviewed staff papers on a number of emerging problems. It directed the staff to prepare proposals on possible state assumption of subsidies for (a) new low rent housing units and (b) Federal-state responsibilities in the uses of atomic energy.

11. On behalf of Governor Daniel, there were submitted a proposal opposing Federal aid to vocational education, school construction, and school lunch programs and a resolution stating the general position of the Committee on Federal-state governmental relations. These were offered for consideration by the Committee as soon as practicable.

12. Secretary Anderson concluded the Federal group's participation in the meeting by stating again that the Administration was prepared to go all the way in implementing the President's Williamsburg address. This point was emphasized lest there be any feeling that the President didn't mean exactly what he said.

13. The above items concluded the work of the meeting. The next meeting was set tentatively for November 14 and 15, to be held in Washington, D. C.

Proposal on Education

by Governor Price Daniel, Texas

The full responsibility for the operation and financing of public school systems should be exercised by the States and their political subdivisions. Federal aid should be limited to the present program applicable to federally affected areas where increased school enrollment is due to activities of the National Government. Accordingly, it is recommended:

1) That the States should assume full responsibility for continuing the present vocational education program, including the small share of the cost (1/5 or $41,000,000) now being paid by the Federal Government.

2) The States should assume all costs of the school lunch and milk programs (estimated at $160,000,000 per year) with the Federal Government continuing only its donation of foods from accumulated surplus commodities.

3) The States should bear responsibility for public school construction costs and assist those districts which have insufficient tax resources for this purpose.

RESOLUTION

WHEREAS, It is difficult for the Nation to abandon or for the States to recoup a governmental function once assumed by the Federal Government;

It is the sense of the Joint Federal-State Action Committee that the States and their political subdivisions should be encouraged to exercise their responsibilities with increased diligence and that the Federal Government, except in serious emergencies, should not enter or assume any new or additional function in fields of traditional State and Local activity.

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CA - 57-85

October 17, 1957

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THE CABINET

Agenda

10:15 a.m., Friday, October 18, 1957

1.	The Scientific Aspects of the United States' Earth Satellite Program	(Oral)	The Secretary of Defense The Deputy Secretary of Defense Dr. John P. Hagen
2.	Review of the Economic Situation	(Oral)	Chairman, Council of Economic Advisers
3.	Policy on Budgeting for Mobilization and Civil Defense Preparedness Activities	CI-57-50	Director, Office of Defense Mobilization Acting Administrator, Federal Civil Defense Administration Director, Bureau of the Budget
4.	Small Business	(Oral)	Chairman, Council of Economic Advisers Administrator, Small Business Administration
5.	Report on Telecommunications Matters	(Oral)	Director, Office of Defense Mobilization

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

MINUTES OF CABINET MEETING

October 18, 1957
10:30 A. M. -- 11:55 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Hon. Loftus E. Becker
(for Sec. Dulles)
Sec. Anderson
Sec. McElroy, and
Deputy Sec. Quarles
Atty Gen Brownell
PMG Summerfield
Sec. Seaton
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage, and
Mr. Maurice Stans
Mr. Gordon Gray
Dr. Saulnier
Amb. Lodge

Deputy Adm. Lewis Berry, Jr.,
FCDA (in part)
Dr. John P. Hagen, Naval Research
Laboratory (in part)
Wm. M. Holaday, Deputy Asst to Sec
of Defense (in part)
Wendell Barnes, SBA (in part)
Paul W. McCracken, CEA (in part)
Arthur W. Larson

Gov. Adams
Mr. Rabb

Mr. Harlow
Mr. Martin
Mr. McPhee
Mr. McCabe
Gov. Stassen
Mr. Randall
Mr. Siciliano
Gen. Goodpaster
Mrs. Wheaton
Mr. Patterson
Mr. Minnich

The Vice President commented on the dinner for Queen Elizabeth as the most memorable evening in the White House in the past five years. He particularly acclaimed the toast offered by the President.

* * * *

Presentation of Administration Program - The President stressed the importance of improving procedures, practices, and methods in presenting material to the Congress in the coming year. He believed that members of the Administration had relied too often on the inherent worth of a program and insufficiently stressed its presentation. He hoped that Cabinet members, while continuing to rely on others for very technical testimony, would become extremely familiar with their material before giving testimony and would always stress the composite objective of the Administration in providing military strength and security, economic strength, and otherwise advancing the welfare of the people. He hoped also that Cabinet members would work to improve their connections with related Congressional Committees. He concluded by urging the Cabinet to do as well with presentation as it did with the preparatory stages of any program.

Amb. Lodge warned that there would be a deliberate effort in the next Congress to destroy popular confidence in the President and the Administration.

Satellite Program - Dr. Hagen was introduced by Sec. Quarles and made a presentation on the experiments to be carried out in the course of the satellite program, such as studies of solar dust, cosmic rays, current rings, and meteorology generally. He reflected that our scientists have already succeeded in taking pictures from a high flying rocket and transmitting them immediately to earth.

Dr. Hagen then reviewed the schedule for attempting to launch test satellites, with the main satellite to follow in March.

Sec. Quarles stated that the Russian launching of a satellite was evidence of Russia's considerable background in this field, and of the great competence of Russian scientists. He believed that the Russian satellite program was an integral part of the military program, an arrangement which we, for good reason, deliberately had not pursued.

Sec. Quarles concluded that the satellite launching does not provide a basis for judging the relative status of Russian and U.S. military efforts, that the Russian competence must not be belittled, and that there is not sufficient justification for regarding the Russians as ahead of us. He reaffirmed that our own satellite program would hold to schedule particularly since it was part of the international scientific project, but that the Navy program would be backed up with an Army program using Army rockets.

In response to a query from Sec. Weeks, Mr. Quarles stated that a satellite the size of the Russian one could be launched by military rockets but not by the Vanguard, and that considerable time would be necessary to adapt the military rockets to that purpose.

Sec. Quarles then added that the satellite had been separated from the military programs so as to keep it purely scientific and thus perhaps obviate or weaken Soviet protests on over-flights. Ironically, the Russians themselves, he said, had now established the acceptability of over-flights.

Economic Situation - Dr. Saulnier stated that the problem of inflation remains critical and will require attention for a long time to come. In the meantime, he said the economic climate can become deflationary and possibly recessionary. He was certain that the business and financial climate had shifted and he cited differences between the present and the middle of 1956 in regard to possible outlays, backlogs of orders, inventories, security expenditures, capacity, and prices. For the future, he saw many signs of declining activity and only a few possible areas of increasing activity. He stated that the CEA had laid down two sets of assumptions. On the basis of mildly optimistic assumptions, it concluded that the gross national product would be the same in 1958 as at present. On the basis of slightly less optimistic assumptions, it was necessary to conclude that the gross national product would decline perhaps fairly extensively. Personally, he saw a sidewise movement which held the dangers of increased unemployment resulting from increased population, and the reduction of Treasury receipts because of the squeeze on profits that occurs when the economy is not expanding. The latter might cause Treasury receipts in fiscal year 1959 to be as low as $72 billion. Policywise, he stated the need for preventing the Defense expenditure control policy from overreaching the intent and also the need for a step-by-step slight easing of credit in coming months. Answering Sec. Mitchell and Mr. Brundage, Dr. Saulnier estimated that considerable wage increases in the auto industry and in Government employment could possibly have deflationary effects. The President noted a contradiction in regarding 1957 proposed pay raises as inflationary and 1958 proposals as deflationary. Sec. Folsom thought a sidewise move of the economy necessary to secure control over inflation.

Sec. Anderson concurred in Dr. Saulnier's presentation, then went on to caution against thinking that any downturn in 1958 would be the same as that of 1954 and thus require similar actions. He saw major differences between then and now since the economies of foreign nations are currently less active, we did not then have excess productive capacity as we do now, and there was in 1954 generally high confidence in the economy as compared with a somewhat pessimistic view presently. Hence he did not believe easy credit would have as large an impact as in 1954.

The President wanted this program watched closely.

Small Business Program - Dr. Saulnier reported on the outcome of the Conference on Technical and Distribution Research which reflected the great interest of the small business men in developing their efficiency, the interest in regional and local conferences like this one, and the interest of various business groups in helping small business in these respects.

Regarding tax proposals for the 1958 small business program, Dr. Saulnier believed those made in 1957 should be repeated, with perhaps the addition of three or four other minor ones. He believed the Omnibus Procurement bill of 1957 should be strongly supported in its revised form. Other recommendations of the Cabinet Committee on Small Business should be advanced again, except for the basic tax change that the Administration had not recommended last year.

Mr. Barnes then noted the need for eliminating from last year's extension of the Small Business Administration some unsatisfactory items, particularly the provision for an Advisory Board on loan actions. He indicated that the Federal Reserve study on credit would be reviewed for possible proposals pertinent to small business.

Telecommunications - Gordon Gray made a very brief status report to the Cabinet, noting that USIA had been added to the Committee but that action on adding Post Office had become complicated and would be held up pending further consultation with the Postmaster General.

Mr. Gray called attention to FCC hearings on long range radio cycles in which the position of common carriers was somewhat jeopardized. He stated that the Federal Government depended heavily on the common carriers, hence the Government had an interest and would need to submit a coordinated view to the FCC. He hoped to effect coordination within the next two months.

FCDA Delegations Budget (CI 57-50) - Mr. Gray reported the agreement reached whereby the individual departments to which civil defense functions had been delegated will do their own budgeting and technical justification, while ODM and FCDA will make a summary presentation. He stated that to the extent possible departments will absorb these delegations into their regular activities. Since this arrangement resulted from conflicting Congressional instructions Budget, with the help of Mr. Gray and Gov. Hoegh, will explain it to interested Congressmen and solicit their support. Mr. Brundage believed this a desirable compromise since it places the responsibility in the agencies for specific activities whereas FCDA and ODM carry the responsibility for coordination and policy. He stressed the need for support for this arrangement from all departments concerned.

The President believed this civil defense activity to be very important and the Administration needed to move ahead with certain measures. He stressed that it is no longer a possibility of butter and guns, rather it is one of butter or guns. He asserted that the Cabinet as a corporate body had to decide firmly which programs were necessary and merited expenditures and which did not.

The President reaffirmed that, despite all the talk of satellites and guided missiles, the United States with its planes still retained the power of destroying Russia. He saw a need, however, for convincing the world -- presently scared by Russia -- that the United States is doing what it should. He repeated that the country would just have to do a little less 'buttering' and more 'gunning', in a situation complicated by the prospect of reduced Treasury receipts. He noted the probable inevitability of certain things like increased pay, hence the necessity for avoiding any new program except as one saves money or can't be delayed. The President felt this would be the most difficult budget ever in its development.

United Giving - Sec. Seaton urged Cabinet members to check with their campaign assistants so as to revitalize the campaign, which lagged seriously at this point.

L. A. Minnich, Jr.

L. A. Minnich, Jr.

Copies to:
- Mrs. Whitman (2) ✓
- Mr. Rabb
- Mr. Minnich

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October 18, 1957

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THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, October 18, 1957:

1. The Scientific Aspects of the United States' Earth Satellite Program

Information Item Only

2. Review of the Economic Situation

ACTION:

The Cabinet noted the review, analysis and general policy suggestions made by the Chairman of the Council of Economic Advisers.

3. Policy on Budgeting for Mobilization and Civil Defense Preparedness Activities CI - 57-50

ACTION:

a) The agreed policy set forth in CI - 57-50 was noted without objection.

b) It was agreed that the delegate agencies will be encouraged to absorb all or the greatest part of the costs of these activities within their FY 1959 allowables.

c) Cabinet members were reminded that the implementation of the agreed policy in CI - 57-50 will involve unified support of it by the agencies concerned and persuasive defense of it by all those appearing as witnesses at Appropriations hearings.

4. Small Business

ACTION:

a) The Cabinet noted the oral report on the recent Conference on Technical and Distribution Research for the Benefit of Small Business and noted that a written report, containing recommendations, has been submitted to the President.

b) The Cabinet noted without objection the proposals for next year's legislative program with respect to small business:

i) Repeat some of the recommendations for tax modification made in the earlier Report of the Cabinet Committee on Small Business

(CI - 56-43) and add others still to be developed by the Cabinet Committee and its Working Group on Tax Policy.

ii) Submit an omnibus Procurement Bill, a draft of which is being amended pursuant to the comments received earlier from the interested agencies.

iii) Repeat the proposals made in the earlier Report concerning competition.

iv) Support legislation making the Small Business Administration a permanent Agency, but attempt to make needed changes in the House-passed version of this bill.

v) Repeat the proposal made in the Report with respect to registration of securities.

vi) Submit such other proposals as may be deemed necessary as a result of studies now being made by the Cabinet Committee and by the Federal Reserve Board.

5. Report on Telecommunications Matters

ACTION:

a) The Cabinet noted the report by the Director of the Office of Defense Mobilization on the addition in the membership of the Telecommunications Advisory Board (cf RA - 57-73, Item 4-b).

b) The Director of the Office of Defense Mobilization in consultation with the several interested Departments, will develop a unified position with respect to the FCC query to the Administration concerning the long-range utilization of the radio spectrum from 1890 to 3000 megacycles per second.

ADDITIONAL ITEMS:

A. General Budget Policy

ACTION:

The President reaffirmed his stipulation of last week (RA - 57-84, 1(a)ii), stating his conviction that the guiding rule to be followed in paring down less important programs in the FY 1959 budget and in deferring otherwise desirable new programs will have to be not "guns and butter" but "guns or butter." The President added Civil Defense to the "clearly necessary" category -- an addition of which some citizens publicly discussing missile developments may need to be reminded.

B. Presentation of Administration Views to the Congress

ACTION:

The President requested the members of his Cabinet to give special attention, during the coming year's dealings with the Congress as well as with visiting dignitaries to frequent and persuasive repetition of the basic foreign and domestic goals of this Administration, to effective presentation techniques, and to improved Congressional liaison. A memorandum embodying the President's suggestions will be circulated shortly.

C. The Current United Givers' Fund Drive

ACTION:

Each Cabinet member will get in touch personally with his departmental Chairman for this drive and go over with the latter the status of the drive within his Department.

ARCHIVAL BOND
25% COTTON

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

October 17, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, October 18, 1957

The following subjects have been listed on the agenda for the Cabinet meeting which will be held at 10:15 tomorrow morning:

1. The Scientific Aspects of the U.S. Earth Satellite Program (Mr. McElroy, Mr. Quarles, Dr. Hagen)

On Tuesday of this week the White House staff was given a briefing by Dr. Hagen on the above subject. Military matters and missiles were avoided, the discussion focused on just what are the unusual and laudable scientific experiments in our Vanguard undertaking. The members of the staff here gained a great deal from this briefing, and factual answers to their many questions provided a very solid counter to the scare stories in the newspapers. In General Goodpaster's opinion, you yourself have not had quite this kind of briefing, and it would not be overly repetitious. It would be very timely and helpful for the members of the Cabinet to have this factual information upon which our earth satellite plans and schedules are based.

PRESENTATION TIME: 20 minutes

2. Review of the Economic Situation (Dr. Saulnier)

It is believed very timely to have another economic round-up for you and the Cabinet. Investment reports are beginning to circulate which speak ominously of the "deteriorating economic situation"

and how it may get worse. It is important to keep the Cabinet informed and alerted with the very latest information from the economic scene. I have discussed this presentation with Dr. Saulnier; his remarks will be concise.

PRESENTATION TIME: 10 minutes

3. Policy on Budgeting for Mobilization and Civil Defense Preparedness Activities (Mr. Gray, Mr. Berry, Mr. Brundage)

Pursuant to the Civil Defense Act, FCDA gets assistance in carrying out its wide responsibilities from seven Departments and Agencies to which it delegates certain civil defense functions, and which it pays to perform them. ODM does likewise. The functions delegated (e.g., fall-out prediction, in Commerce) are usually very similar to existing regular agency functions (e.g., weather-forecasting), and it has been argued that the funds for such activities should not be considered as FCDA funds, but as agency funds, and so justified to the Congress.

This past year, two different House Appropriations Subcommittees put FCDA and its delegate agencies in a squeeze between two conflicting sets of instructions: on the one hand, to justify all such funds centrally, and on the other hand, to have the respective agencies justify them individually. Irritated at the delegate agency program, the House (the Senate concurring) wiped out all of these funds ($6,000,000), a setback to FCDA and a great jolt to the agencies which have been depending on this money for important work.

The affected agencies have now put their heads together (in the Defense Mobilization Board) and have come up with an agreed procedure: individual justifications with assistance, when required, from FCDA or ODM.

This agreed procedure has been spelled out in a Cabinet paper in order that things will go smoother next year.

Mr. Gray and Acting Administrator Berry will also briefly confirm their respective legislative program recommendations for next year: extension of the Defense Production Act, and continued support for the amendments proposed last year and passed by the House to the Federal Civil Defense Act of 1950.

PRESENTATION TIME: 10 minutes

4. Small Business (Dr. Saulnier)

The Cabinet Committee on Small Business, which you established a year and a half ago, has made one full progress report to the Cabinet. This report (August 9, 1956) has served as a check-list for Administration policy and legislative proposals with respect to small business matters.

Dr. Saulnier, for the Cabinet Committee, will present a second oral report, including a concise submission of the Committee's legislative recommendations in this field for the coming Congressional session.

PRESENTATION TIME: 15 minutes

5. Report on Telecommunications Matters (Mr. Gray)

At the Cabinet meeting of May 3, when the Cabinet Committee on Telecommunications was terminated, it was agreed that Mr. Gray would from time to time bring to the Cabinet certain policy questions in this field which are pending before him and his telecommunications advisory board. Such a matter has now arisen: The allocation of radio frequencies for private microwave systems. Requests for these allocations are now before the FCC. Mr. Gray and Mr. Cutler feel that if private (i.e., company) microwave systems start up, this will tend to cut deeply into the usage of the common carrier microwave systems -- so deeply that this latter system may be injured as a mobilization base to the detriment of the national security. After having discussed this at the recent TAB meeting, Mr. Gray is prepared to bring this matter up for Cabinet review. Mr. Gray wishes also very briefly to mention the proposed addition of Post Office and USIA to the TAB membership.

PRESENTATION TIME: 8 minutes

8

I understand that Secretary Seaton wishes to conclude the meeting by mentioning the government's participation in the current local United Givers Fund campaign. Secretary Seaton is the Federal Government Chairman.

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

ARCHIVAL BOND
25% COTTON

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October 15, 1957

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THE CABINET

Policy on Budgeting for Mobilization and Civil Defense Preparedness Activities.

For information of Cabinet Members, attached is copy of paper prepared by the Director of the Office of Defense Mobilization.

The paper states the policy on the above subject agreed upon by the Bureau of the Budget, the Office of Defense Mobilization, and the Federal Civil Defense Administration with the concurrence of the Defense Mobilization Board and provides the background which led to the adoption of the policy.

Maxwell M. Rabb
Secretary to the Cabinet

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THE CABINET

Policy on Budgeting for Mobilization and Civil Defense Preparedness Activities.

Purpose:

The purpose of this paper is to inform Cabinet Members of the uniform policy agreed upon by the Bureau of the Budget, Office of Defense Mobilization, and the Federal Civil Defense Administration, with the concurrence of the Defense Mobilization Board and the Civil Defense Coordinating Board, for financing mobilization and civil defense functions of Federal agencies, including such functions "delegated or assigned" by ODM and FCDA.

Policy:

The policy, as contained in a letter of instructions issued by the Bureau of the Budget, copy attached, is summarized as follows:

a. Federal Departments and agencies will budget for their mobilization and civil defense functions as a part of their regular budget estimates, beginning with FY 1959. In so far as practicable, fund requirements will be included within the existing appropriations and activity structure. Each Department and agency will formulate and be prepared to justify its specific functions and dollar requirements both before the Bureau of the Budget and the Congressional committees.

b. ODM and FCDA will give general assistance to agencies, on request, in the development of budget estimates for mobilization and civil defense functions. FCDA and ODM will prepare and present to Congress a consolidated government-wide explanation of the civil defense and mobilization functions to be performed and the dollar requirements therefor on the basis of figures supplied by the agencies after receipt of budget allowances. They will provide supporting testimony as to the relationship between specific agency functions and the total nonmilitary defense program.

c. The Bureau of the Budget, in concert with the Office of Defense Mobilization and the Federal Civil Defense Administration, will advise Congressional committees of the policy and the basis for the presentation of the nonmilitary defense segment of the FY 1959 budget.

Background:

1. The above policy was promulgated to establish a clear understanding among Executive Branch agencies and with Congressional committees on responsibility for budgeting for mobilization and civil defense functions, and on the method of presentation of the budget requirements for nonmilitary defense programs.

2. There has been a prevalent misconception that agencies in carrying out mobilization and civil defense preparedness activities, pursuant to delegations from ODM and FCDA, are performing ODM and FCDA functions, and that ODM and FCDA should budget for such functions. In general, each agency's mobilization and civil defense functions are directly related to the subject matter of its normal jurisdiction. Delegations by ODM and FCDA have been made to agencies in accordance with the subject matter of each delegate agency's normal jurisdiction.

CABINET PAPER

For Information

3. Congressional committees have, at times, requested ODM and FCDA to prepare and present budgets for total integrated programs, and, at other times, have stated that there is not sufficient difference between normal programs of delegate agencies and mobilization and civil defense activities to warrant requests by a central agency for such activities.

4. The policy followed by ODM has been that it is the responsibility of each agency to budget for its mobilization preparedness functions, including those identified in a delegation or assignment.

5. The policy followed by FCDA was the same as that followed by ODM until requested by the House Appropriations Committee in 1955 to submit a consolidated request for funds in support of all its delegated functions. Since then, FCDA has budgeted for such functions and allocated funds to delegate agencies.

6. The above-described divergent budgeting policies for mobilization and civil defense functions have brought about the following results:

a. Inadequate consideration of the need for funds in support of mobilization and civil defense functions;

b. Failure to appropriate funds for FY 1958 in support of civil defense functions delegated by FCDA, notwithstanding the fact that agencies did not separately budget for such functions; and,

c. Queries from Congress as to why ODM has not adopted a similar policy of budgeting for mobilization functions delegated by it.

7. The advantages to the cause of national security in adopting a uniform policy whereby each agency budgets for its mobilization and civil defense functions are many; among which are:

a. The agency performing the function is in the best position to estimate costs and defend its estimates; and,

b. If the agency's budget is reduced, defense and nondefense activities may share proportionately, whereas, if the central agency's request for funds in support of mobilization and civil defense functions are eliminated, nonmilitary defense activities are seriously jeopardized.

8. The new policy will provide Congress with information as to the total magnitude of nonmilitary defense activities and the relation of one agency's activities to the total nonmilitary defense program, which is believed to be the basis for Congressional committee requests that the central agency budget for delegated functions, notwithstanding the recognition that such functions, for the most part, are inseparable from the subject matter of normal functions of agencies.

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

September 17, 1957

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS CONCERNED

SUBJECT: Financing civil defense and mobilization functions

Recent meetings of the Civil Defense Coordinating Board and the Defense Mobilization Board have been devoted to a discussion of methods of financing the civil defense and mobilization functions of Federal agencies. The Federal Civil Defense Administration and the Office of Defense Mobilization are in agreement that such functions should be budgeted for as a part of the regular budget estimates of the agencies involved. It is believed that the method of presentation outlined below will go far to meet the objections which Congress has had to previous presentations. The Bureau of the Budget, in concert with Federal Civil Defense Administration and Office of Defense Mobilization, will undertake to advise congressional committees of the way in which these functions have been handled in the 1959 Budget and the reasons therefor. The purpose of this letter is to set forth instructions for the preparation and submission of the 1959 budget estimates for these nonmilitary defense functions.

Departments and agencies will include, as a part of their regular 1959 budget estimates, funds necessary to finance all their civil defense and mobilization functions. Unless separately identifiable and a significant part of the agency program, fund requirements should be included within existing appropriations and activities. The Federal Civil Defense Administration and the Office of Defense Mobilization will give general assistance to agencies, on request, in the development of budget estimates.

It is expected that each agency will formulate and be prepared to justify the specific functions and dollar requirements, both before the Bureau of the Budget and the congressional committees. Federal Civil Defense Administration and Office of Defense Mobilization will present a consolidated governmentwide explanation of the functions to be performed and the dollar requirements therefor on the basis of figures supplied by the agencies after receipt of budget allowances. The Federal Civil Defense Administration and the Office of Defense Mobilization will also be prepared to appear in support of such activities and testify as to the necessity of these specific agency functions as a part of the total nonmilitary defense program.

s/ Percival F. Brundage

PERCIVAL F. BRUNDAGE
Director

CABINET PAPER

For Information

T.A.B. 64/1
File B-3.1

October 22, 1957

STATEMENT OF THE PROBLEM

The actions which ODM should take in regard to the current FCC hearings on the microwave portion of the radio spectrum, and specifically, the reply which ODM should make to FCC letter dated October 3, 1957, on that subject.

FACTS BEARING ON THE PROBLEM

1. On November 8, 1956, the FCC adopted a Preliminary Notice of Hearing (Docket No. 11866) "for the purpose of obtaining information concerning service allocation needs in that portion of the spectrum above 890 Mc and for determining the issues hereinafter set forth." Nineteen issues were set forth and are shown in Tab A.

2. Prior to the opening of public hearings, the Assistant Attorney General addressed a letter dated March 28, 1957, to the FCC dealing specifically with Issue No. 9 which has monopoly implications. See Tab B.

3. The Western Union Telegraph Company in letter to the FCC dated May 7, 1957, expressed its disagreement with the Assistant Attorney General's letter. See Tab C. The FCC has not received letters from other common carriers on that subject.

4. Public hearings opened May 20, 1957, and are expected to be closed soon. Tab D contains a summary of these hearings with some discussion of seven of the nineteen issues, a list of those participating in the hearings, and some changes in frequency allocations proposed by those participating. As is customary in such cases, no witnesses representing the Executive Branch of the Government have participated in the public hearings.

5. As a result of TAB meeting on August 6, 1957, the Chairman of FCC in letter dated October 3, 1957, informed the Director of ODM that matters of interest to ODM had arisen in the hearings and invited attention to the Assistant Attorney General's letter of March 28, 1957. See Tab E.

6. By agreement between the FCC and ODM (IRAC), the portions of the spectrum including this range are now utilized about as follows:

Portion of Spectrum in Mc	Federal Govt	Non-Fed. Govt	Shared	Amateur
300-3000 (UHF)	18.8%	43.6%	28.3%	9.3%
3000-30,000 (SHF)	36.0	36.7	18.7	8.6

Although the uses are many and vary widely, the two greatest are those for microwave communications and for aeronautical radionavigation, the latter mostly in the Shared portion above. Because of their value, the frequencies are in great demand. The FCC is primarily concerned with assignments in the Non-Federal Government portion and the ODM (IRAC) with the Federal Government portion. Both are concerned with the Shared and Amateur portions. The principal issue raised in the hearings is the extent to which private users are permitted to use these frequencies for private systems and the effect of such use on the operations of common carriers serving the public and the Government. Generally speaking, equipment manufacturers and their prospective customers favor wide private use while common carriers oppose such use except for public safety and for operation of highways, pipelines, railways, and other so-called right-of-way utilities.

7. For many years it has been established procedure for the FCC to consult with ODM before finalizing any of its decisions regarding the spectrum which would have effect upon operations of the Executive Branch. This procedure is essential to the proper administration of spectrum control. The FCC letter of October 3, 1957, offers an opportunity to ODM to present its position in the matter.

DISCUSSION

8. For several cogent reasons the FCC proceedings are necessary and desirable. Under Section I of the Communications Act of 1934, the FCC is required to consider the national defense in its actions. Normally, it could be expected that the FCC would, after concluding public hearings and after the consultations with ODM mentioned in paragraph 7, adequately conserve the national defense. In this case, however, the Assistant Attorney General's letter (Tab B) submitted before the public hearings might have influenced the testimony presented and might also unduly influence the consultations with ODM and the final FCC decisions. It appears, therefore, that the FCC could expect to receive an Executive Branch position covering not only the anti-monopoly factor but also the national defense factor.

9. The ODM and the entire Executive Branch have vital functions in the national defense. The most serious threat in a nuclear attack on the U. S. is that of the ensuing chaos and disorganization because of disrupted communications. National survival would largely depend upon the ability to organize and exert a national control. This would be possible only with the restoration of a national telecommunications system. And this restoration would have to be so prompt as to assure survival.

10. It has been and still is sound national policy to have a nation-wide and world-wide communication system privately rather than publicly owned and operated. Also, it has been and still is sound policy for the Government to obtain its service from this system as far as is practicable rather than to expand Government-owned facilities. This system is that provided by the common carriers which are the American Telephone and

Telegraph Company, the several thousand independent telephone companies, the Western Union Telegraph Company, and the companies engaged in international communications.

11. As a consequence of the policy mentioned in paragraph 10, all Government agencies now depend upon these common carriers for the great bulk of their telecommunication needs in peace and war. While no statistical evidence as to the extent of this dependance is readily available, it can be produced given the time and large effort needed to collect it. This fact is so generally known and accepted that such effort seems unnecessary. Likewise, general industry and the nationwide broadcast industry depend upon these common carriers for the bulk of their communication needs.

12. The integrated and high quality operations of these common carriers are the results of evolution over decades of time with effective cooperation between the carriers and strong support of the FCC. This cooperation can be expected because the common objective of all carriers is to serve the public. A similar integration of private systems designed and established for a particular or specialized service or for a particular function could not be reasonably expected under the stress of war. Moreover, it would probably be wrong even to attempt to deprive any such special function in war of a facility which it has enjoyed in peace. There is no existing body of individuals capable of restoring many damaged private systems and of integrating their operations into a national system or of making any except most local use of their facilities.

13. If sufficient frequencies were available for all, priorities would not be needed. While the hearings have produced testimony that this supposition is true in this portion of the spectrum, this is seriously controverted by others. Since the future of radio usage and hostile jamming operations are not predictable, it seems prudent to consider this portion of the spectrum in the light of more experience in the usage of other portions. In the NBC case Justice Frankfurter stated in part: "Unlike other modes of expression, radio inherently is not available to all. That is its unique characteristic, and that is why, unlike other modes of expression, it is subject to governmental regulation. Because it cannot be used by all, some who wish to use it must be denied."

14. Testimony regarding the usage of microwaves by common carriers indicates that the cost of microwave channels is substantially less than that of similar wire channels, and that in the Bell System over half of its channels measured in megacycle miles are microwave. In the use of natural resources it seems that the general public should be afforded the use of the less costly.

15. It appears from the foregoing that complete reply to the FCC letter of October 3, 1957, would include an overall Executive Branch position on:

a. Frequency requirements above 890 Mc; and

b. The national defense and anti-monopoly factors involved.

16. Since a above is highly technical and since the Select Subcommittee for Frequency Allocations of the IRAC, consisting of competent personnel, has for months been engaged in a study of this portion of the spectrum, this Subcommittee has been charged by ODM with drafting the Government position. It expects to have its draft in early November. Since all interested Government agencies have opportunity to participate in this action, and to avoid duplication of effort, reference of this draft to the TAB is not contemplated unless the Board especially desires it.

17. In regard to 15 b above, further consideration seems desirable. The anti-monopoly factor is a highly involved legal problem. The members of the Board might feel that, even with the legal advice available to them in their own agencies, the Board is not the best qualified group to draft ODM comments on this problem. Under its charter, however, the Board seems to be the most competent to advise on the national defense factor.

CONCLUSION

18. The Board concludes that, after public hearings have been closed, ODM should present to the FCC the overall Executive Branch position on the frequency requirements above 890 Mc and the national defense and anti-monopoly factors involved.

RECOMMENDATIONS

19. The Board recommends that:

a. ODM base its reply to the FCC letter of October 3, 1957, as to frequency requirements above 890 Mc on the recommendations of IRAC without further reference to the TAB.

b. ODM draft the portion of the reply dealing with the Assistant Attorney General's letter of March 28, 1957, with such coordination as may be desired with others in the Executive Branch or the FCC.

c. ODM include in its reply the substance of the draft shown in Tab F dealing with the national defense factor.

COPY

FCC 56-1098
37194

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington 25, D. C.

In the Matter of)
)
Allocation of frequencies)
in the bands above 890 Mc;) Docket No. 11866
)
)
)

PRELIMINARY NOTICE OF HEARING

I. Twelve years have elapsed since the Commission last reviewed in detail the service allocations above 890 Mc. The existing table of frequency allocations in that part of the spectrum is based primarily on a consideration of war-time developments in electronics which led to the adoption of an international table of allocations (Atlantic City, 1947). Subsequent changes in the Commission's Table and sub-allocations to the several services were based on anticipated service requirements but definitive policies relating to eligibilities have never been established. It is now obvious that changes and developments in the art of radio, and in its commercial use, have brought about a need to re-examine the service allocations of frequency bands above 890 Mc, where some of the services anticipated twelve years ago have developed to a very great degree, some have failed to develop at all, and, in some instances, the shared uses which have been permitted appear to be incompatible.

II. The Commission has had under consideration for some time, various problems associated with some of the service allocations in the bands above 890 Mc. Although the solution of each of these problems in itself may not necessarily have a substantial impact on the spectrum, the solution of the aggregate of the several problems may have serious impact. And it is not clear at this point that the Commission is in position to fully assess the consequences of the aggregated solutions. In view of the foregoing, the Commission is of the opinion that a preliminary fact finding hearing should be held for the purpose of considering the issues set forth below; to obtain full information pertinent to a re-examination of service allocations in the frequency bands above 890 Mc; and to afford all interested persons an opportunity to participate in furnishing related information.

III. Accordingly, notice is hereby given that a hearing will be held in Washington, D. C., at a time and place to be specifically stated in a subsequent order or notice, in the above entitled matter, for the purpose of obtaining information concerning service allocation needs in that portion of the spectrum above 890 Mc and for determining the issues hereinafter set forth.

IV. This proceeding is an initial step in considering the reallocation of certain bands above 890 Mc. It appears likely that it may result in several rule making proceedings, not only with respect to frequency allocations but also with respect to other parts of the Commission's Rules governing the several services.

V. The Commission requests interested persons to come forward with information and comments which may prove helpful in a determination of these issues. Such persons as may wish to present evidence or testimony at the ensuing fact finding hearing before the Commission should submit brief outlines thereof, and be prepared to confer with the Commission's staff concerning the evidence or testimony proposed. The hearing itself will be limited to the reception of evidence and testimony which the Commission deems most helpful. Examination of witnesses will be conducted by the Commissioners and the Commission staff.

VI. The said hearing will be held upon the following issues:

1. What are the present and future demands for frequencies above 890 Mc for point-to-point radio communication systems, both common carrier and private?

   (a) How were these demands satisfied previously, i.e., private wire, use of private radio other than microwave, common carrier wire or radio facilities?

   (b) What benefits accrue to the user and the general public from the use of microwave frequencies for private point-to-point radio systems as compared with other means of communications and the specific nature, extent and magnitude of such benefits?

2. Are frequencies for point-to-point use available in sufficient number so that there is no necessity for the Commission to make determinations as to (a) the relative needs of potential users; (b) which of such potential users should be allocated spectrum space; or (c) the permissible use of such frequencies? If because of shortages of frequencies or facilities common carriers

would be unable to satisfy the needs of all potential users of leased circuits, should there be established a system of priorities to insure availability of facilities to meet the most essential requirements?

3. Where (geographically and spectrumwise) would assignment of frequencies for private point-to-point systems without limitations create problems of harmful interference either from (a) limited availability of suitable sites for transmitters and receivers; (b) terminal congestion resulting from the desire to terminate multiple systems at a common geographical location; or (c) other pertinent conditions?

4. If limitations are warranted for private point-to-point use, what standards of eligibility should be adopted? Should they be established on a geographical basis?

5. To what extent, if any, should the Commission permit or require the sharing of private point-to-point microwave systems?

6. Apart from other considerations, should the Commission consider the availability of common carrier facilities as a condition of eligibility?

7. What effect would the authorization of private point-to-point systems where common carrier facilities are available have on the ability of the common carriers to serve the general public and, if such effect is detrimental, the specific nature, extent and magnitude of such detriment?

8. Is there any obligation on the part of the Commission under the provisions of the Communications Act to protect the users of common carrier service from any adverse economic effects that the carriers might suffer from the operation of private point-to-point systems? If there is no statutory obligation, is it desirable in the public interest for the Commission to establish this as a matter of a policy?

9. Would a policy of restricting or denying a private point-to-point system because common carrier facilities are available be inconsistent with any of the provisions of the Communications Act? Would such restrictions result in a lessening of competition or a fostering of monopoly in the manufacture, sale, use or provision of communications facilities contrary to the public interest?

10. To what extent will the contemplated private point-to-point communications systems depend upon interconnection with common carrier facilities?

11. What are the requirements for mobile operations for spectrum space above 890 Mc? Should the band 890-960 be reserved for land mobile use?

12. What are the requirements for ISM operations for spectrum space above 890 Mc? May other uses of radio share the bands that might be used by such operations?

13. What are the requirements for the radio navigation service for spectrum space above 890 Mc?

14. What are the requirements for any potential users of spectrum space above 890 Mc not otherwise encompassed in other issues herein set forth?

15. Under what circumstances, if any, should private or common carrier fixed systems be authorized to operate on frequencies below 10,000 Mc in terminal or metropolitan areas.

16. Should the Commission authorize the use of a system which occupies a broad band of frequencies in those cases in which a licensee has requirements for only a portion of the number of channels which can be accommodated in the same amount of space? Is there a requirement for narrow band equipment?

17. Should common engineering standards be established for all point-to-point microwave equipment and, if so, what should they be?

18. Should there be any restrictions on the use of frequencies above 30,000 Mcs?

19. To what extent, if any, should the bands of frequencies for fixed operations above 890 Mc be shared by common carriers and private users?

VII. This proceeding is instituted pursuant to the authority of Sections 303(c), (f) and (r) of the Communications Act of 1934, as amended, and the Final Acts of the International Telecommunication Radio Conference (Atlantic City 1947).

VIII. Any interested person desiring to appear and submit evidence at the hearing shall on or before December 17, 1956 file with the Commission a notice of appearance and a brief outline or summary of the evidence expected to be submitted. Such persons, or any other interested persons desiring to comment on the matters set forth in the above issues, may file a brief or written statement with the Commission on or before January 7, 1957. Any replies to comments should be filed on or before January 22, 1957. Fifteen copies of each notice of appearance, brief or written comment should be filed as required by Section 1.764 of the Commission's Rules and Regulations.

FEDERAL COMMUNICATIONS COMMISSION

Mary Jane Morris
Secretary

Adopted: November 8, 1956
Released: November 9, 1956

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Department of Justice

Washington

March 28, 1957

Honorable George C. McConnaughey
Chairman, Federal Communications
Commission
Washington 25, D. C.

My dear Mr. Chairman:

We have received a complaint from an attorney representing persons interested in the right to use their own microwave facilities. The attorney asks that the name of his clients not be divulged at this time.

Upon receiving this complaint, we looked into the situation currently existing in the microwave field. Early in the course of this examination our attention was directed to the microwave study now being conducted by the Federal Communications Commission, Docket No. 11866.

In view of the complaint we have received and our duty to enforce the federal antitrust laws, we believe that it would be appropriate if we were to comment on the antitrust aspects of the problem now being studied by the Commission. Our comments are limited to Issue No. 9 of the Preliminary Notice of Hearing, released on November 9, 1956, which reads as follows:

> 9. Would a policy of restricting or denying a private point-to-point system because common carrier facilities are available be inconsistent with any of the provisions of the Communications Act? Would such restrictions result in a lessening of competition or a fostering of monopoly in the manufacture, sale, use or provision of communications facilities contrary to the public interest?

As the Commission has stated in its public notice of January 24, 1957: "The microwave portion of the radio frequency spectrum is rapidly becoming one of radio's most useful communication mediums."

Page 2

We are of the opinion that, by preferring common carrier operation of such systems, competition would be distinctly lessened and monopoly encouraged in the manufacture, sale and use of the communications facilities adapted to this area of service.

We believe that Section 314 of the Communications Act indicates a Congressional intent to rely upon competition to regulate and develop the communications field to the greatest possible extent. Those provisions of the Act regulating common carrier activities proceed upon the principle that direct regulation must be substituted for competition. This principle is inconsistent with the principle of competition, and is applicable in those areas where the common carriers already had monopolies when the Communications Act of 1934 was enacted. There is nothing in the Communications Act to indicate that any particular portion of the radio spectrum, such as the microwave region, should be turned over to the common carriers. We believe that reconciliation of the two methods of regulation requires that the common carrier concept be given as limited application as the terms of the Communications Act will permit.

Sincerely yours,

/s/ Victor R. Hansen
VICTOR R. HANSEN
Assistant Attorney General
Antitrust Division

April 18, 1957

Honorable Victor R. Hansen
Assistant Attorney General
District Division
Department of Justice
Washington 25, D. C.

Dear Mr. Hansen:

This will acknowledge receipt of your letter of March 28, 1957 concerning the Commission's proceeding in Docket No. 11,866, in the matter of Allocation of Frequencies in the bands above 890 Mc.

The Commission appreciates your interest in the antitrust aspects of this matter, and I can assure you that your views will be fully considered by the Commission. Your letter is being made a part of the official Commission docket in this proceeding.

Sincerely yours,

George C. McConnaughey
Chairman

COPY

[redacted]

May 7, 1957

Honorable George C. McConnaughey
Chairman
Federal Communications Commission
Washington 25, D. C.

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Docket No. 11866

Dear Mr. Chairman:

Our attention has been called to a letter sent to you on March 28, 1957 by Victor R. Hansen, Esq., Assistant Attorney General, Antitrust Division, wherein he comments on issue No. 9 of the preliminary notice of hearing herein, released on November 9, 1956, which reads as follows:

> "9. Would a policy of restricting or denying a private point-to-point system because common carrier facilities are available be inconsistent with any of the provisions of the Communications Act? Would such restrictions result in a lessening of competition or a fostering of monopoly in the manufacture, sale, use or provision of communications facilities contrary to the public interest?"

We, of course, do not know, nor do we assume that the Commission knows what statements or representations were made to Mr. Hansen by the attorney representing undisclosed claimants to whom he refers. However, the purpose of any hearing, of course, is to develop facts upon which reasonable conclusions may be based.

It does not appear from Mr. Hansen's letter just what factual basis there is for his opinion "that by preferring common carrier operation of such systems, competition would be distinctly lessened and monopoly encouraged in the manufacture, sale and use of the communications facilities adapted to this area of service". Western Union, a common carrier, does not engage either in the manufacture or sale of such communications facilities. It must and does buy such facilities in the open market. If there be antitrust problems in that regard it seems to us they should be solved separately and the important and far reaching question of the allocation of frequency bands involved in this proceeding should not be determined in favor of private point-to-point users merely to promote competition in the manufacture, sale and use of communications facilities adapted to this area of service.

Further, we cannot agree with Mr. Hansen's view of the intent of Section 314 of the Communications Act. We think it clear that the prohibitions herein contained were originally contained in the Radio Act of 1927 and their purpose which has long been known to both the Commission and the international communications industry was to guard against the possibility that the growth and development of international radio communications might be retarded by the cable companies who were firmly established, if the latter were permitted to obtain control of them and thereupon operate them in a manner to preserve their cable investments. We think the prohibitions were designed to guard against that possibility and not for the reasons suggested by Mr. Hansen.

Finally, we think that Mr. Hansen in expressing the belief that "reconciliation of the two methods of regulation (competition and direct regulation) requires that the common carrier concept be given as limited application as the terms of the Communications Act will permit" has overlooked the ultimate policy embodied in the Communications Act (Section 1) which is "to make available, so far as possible, to all the poeple of the United States, a rapid, efficient, nation-wide and world-wide wire and radio communications service with adequate facilities at reasonable charges, for the purpose of promoting safety of life and property through the use of wire and radio communications". The adoption of any course that would subject the common carriers to adverse economic effects from the unrestricted authorization of private point-to-point systems and which would result in a "cream skimming" effect by private users who are under no obligation to provide a public service would run directly counter to the Commission's obligations under the Communications Act and would be detrimental to the public interest and the national security.

Yours very truly,

General Attorney.

T.A.B. 63/1
File B-3.1
October 24, 1957

TELECOMMUNICATIONS ADVISORY BOARD

ANNEX TO TAB D

To: All Members, Telecommunications Advisory Board

From: Executive Secretary

Subject: FCC Hearing in the Matter of Allocation of Frequencies in the Bands above 890 Mc. (Docket No. 11866)

Reference: Information Memorandum TAB 62/1 dated October 7, 1957.

The document under reference was submitted to staff members of the Department of Defense, the Central Intelligence Agency, and the Federal Communications Commission for comment pursuant to the Chairman's request to these agencies to designate staff members to work with the Executive Secretary in examining the hearing record in FCC Docket No. 11866.

The following comments were submitted by the FCC staff member and are being furnished for consideration in connection with the memorandum under reference:

Page 1 - paragraph 3

The crux of the problem involves (1) availability of frequencies, and (2) availability of sites.

Page 1 - Summary - last paragraph

AT&T stated that it had no objection to the so-called right-of-way companies and safety organizations establishing their own communication systems. Also, private users contended that public interest would be served by diversified use of communication facilities by private users such as, they testified, would provide back-up facilities in time of emergency.

Page 2 - paragraph 1

Virtually all the private users testified that they could establish and maintain a microwave system at substantially less cost than a similar system or services could be obtained from common carriers.

Page 2 - paragraph 4

Many of the individual telephone companies now interconnect their facilities with private users. Donald C. Power (Transcript 1575) stated that he could see no reason for objection to interconnection.

Pages 4 and 5 - Issue No. 2

Motorola's frequency usage plan (Exhibit 147) was an application of the Electronic Industries Association proposal to the Los Angeles area. It concluded that a total of 807 systems can be accommodated in an area with a radius of 11.1 miles. Other private user witnesses testified that terminal points could be located outside of metropolitan areas for connection with cable and wire facilities. Others suggested that the higher short-range frequencies could be used in metropolitan areas, and the lower frequencies in rural areas.

Pages 6 and 7 - Issue No. 7

Private users argue that the establishment of their own microwave system would generate new traffic for common carriers which would largely offset any losses which would result.

Page 7 - Issue No. 8

The private users argue that there would be an economic control in these cases which will limit the number of private users who might otherwise wish to establish their own systems.

Page 8 - Issue No. 9

Basically the private users took the position that there should be freedom of choice by such users; that is, either obtain service from common carriers or establish their own systems similar to manufacturers who use their own trucks to transport their own goods.

O. W. Loeber
C. W. Loeber

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON 25, D. C.

COPY

Honorable Gordon Gray
Director
Office of Defense Mobilization
Executive Office Building
Washington 25, D. C.

Noted by Mr. Gray

Dear Mr. Gray:

Reference is made to correspondence with General Matejka of August 13, 1957, with respect to the Commission's proceeding in Docket No. 11866 in the matter of Allocation of Frequencies in the Band Above 890 Mc.

Attachment 1 is a summary of the requests made by the parties to the proceeding for changes in frequency allocations in the spectrum above 890 Mc. Most of these involve only frequency bands allocated exclusively to non-Government services.

Attachment 2 summarizes only those changes in existing Government or shared bands in the radio spectrum above 890 Mc which were suggested or requested by various parties in the proceeding. This summary contains, in abbreviated form, the reasons given in the proceeding for such changes.

A matter of interest to your office, and one which does not involve spectrum allocations as such, is the licensing policy to be followed by the Commission with respect to microwave radio relay systems. At the present time the Commission's Table of Frequency Allocations provides for the communications common carrier type of operation, i.e., one which is open to public correspondence, and also for the private type of operation in which certain designated industries are eligible to be licensed as non-common carriers on a developmental basis. Typical of such designated industries are right-of-way companies such as railroads, petroleum and gas pipe lines, power utilities, etc.

The advocates of private systems argue that diversification of communication routes and sources of equipment supply are desirable in the interests of national defense,

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whereas the proponents of the common carrier point of view argue that a strong economic position must be maintained by the common carrier so as to enable them to build and maintain the multiplicity of circuits required for national defense. Testimony in the aforementioned proceeding by various parties was addressed to the relative importance to the national defense of common carrier and private microwave systems.

Also of interest is Attachment 3, which is a letter from the Department of Justice commenting on antitrust considerations relating to the microwave proceeding.

Trusting that this will give you the sought-for information, I remain

Sincerely yours,

John C Doerfer

John C. Doerfer
Chairman

Att.

[redacted]

Att. 3 - Department of Justice Letter (See Tab B)

[redacted]

ATTACHMENT 1

LIST OF FREQUENCY ALLOCATION RECOMMENDATIONS RECEIVED PRIOR TO SEPT. 30, 1957, IN DOCKET NO. 11866

Flight test telemetering

1. The present congestion of the 225 Mc band and the need for extensive flight test communications systems for telemetering use by aircraft manufacturers in the testing of military and civil aircraft were cited as requiring an allocation of a 100 Mc band. It was stated that this band, as a matter of expediency and equipment availability should be in the vicinity of 1600 Mc but that as an ultimate allocation, the band 2200-2300 should be reserved. It was further recommended that these allocations should be equally available to Government and non-Government stations and that the non-Government assignments should not be on a "secondary" basis as is the case with existing assignments in the 225 Mc band.

Mobile service

1. It was recommended that, in view of the present heavily congested land mobile bands, the band 895-935 should be allocated to the land mobile service and that ISM emissions should be restricted to the band 900-930 Mc. It was also recommended that the band 940-952 Mc be authorized for the mobile service. Technical evidence was presented to indicate that frequencies of this order were suitable for use by the mobile service. It was also suggested that the band 1300-1320 Mc be allocated to the mobile service. Based upon requirements for common carrier mobile wide band service such as video pickup, it was recommended that the bands 6425-6575 Mc, 7050-7125 Mc, 10550-12200 Mc and 12700-12875 Mc be allocated to the mobile service (common carrier only).

Fixed service

1. A great amount of testimony was offered with respect to the undesirability of the sharing of the 915 Mc band between the fixed service and ISM, the latter of which has the primary allocation of the 890-940 Mc band. Testimony regarding technical aspects was introduced for the purpose of indicating that difficult communications paths, such as over-water hops, dictated the use of frequencies in the order of 900 Mc for the fixed service in lieu of frequencies in the order of 4000 or 6000 Mc. Primary concern was expressed in regard to the numbers of critical fixed service installations which might receive interference from ISM which now shows signs of developing on 915 Mc. Several recommendations for disposing of ISM/

Fixed service sharing involved recommended changes in allocations between 890 and 960 Mc for the fixed service and ISM.

2. The question of whether tropospheric scatter fixed systems could share the bands utilized by conventional line-of-sight fixed systems was raised. Testimony offered on this question appeared to indicate interference considerations would make such sharing inadvisable on a general basis and that if tropospheric scatter systems were to be authorized for domestic use on a large scale, separate bands for the two techniques should be seriously considered.

3. Additional fixed service allocations were requested as follows:

3500-3700 Mc	Common carrier fixed
6425-6575 Mc	Common carrier fixed shared with common carrier mobile
10550-12200 Mc	Common carrier fixed shared with common carrier mobile
16000-18000 Mc	Common carrier fixed
26000-30000 Mc	Common carrier fixed
6425-6575 Mc	Operational fixed
11700-12200 Mc	Operational fixed
16000-16700 Mc	Operational fixed
28600-30000 Mc	Operational fixed

4. In general, it was recommended by fixed service representatives that existing microwave mobile bands above 3500 Mc, which are not now specifically allocated to private or common carrier services, should be reallocated to the fixed service. However, in the case of common carrier representatives, it was suggested that these bands should continue to be utilized by the mobile service on a shared basis with the fixed service.

Radionavigation service

1. For the development of aircraft proximity warning indicators and a collision avoidance system (PWI/CAS), it was recommended that the following specific bands be reserved:

40 Mc near 1600 Mc
100 Mc near 3000 Mc
150 Mc near 4500 Mc
300 Mc between 8500 and 9800 Mc
400 Mc between 13000 and 26000 Mc

2. For high definition aeronautical radar it was recommended that additional aeronautical radionavigation bands be allocated as follows:

250 Mc between 12500 and 14500 Mc
250 Mc between 15000 and 16000 Mc
Unspecified bandwidth between 23500 and 24500 Mc

The operational requirements which were cited were for surveillance of craft on the surface at airports, special requirements for helicopters and for terrain mapping.

3. For high definition maritime radar especially for short-range navigation, it was recommended that the following maritime radionavigation bands be allocated:

16000-16340 Mc (including provision for Racons)
33000-33300 Mc (including provision for Racons)

4. It was recommended that the definition of the radionavigation service be modified to the extent necessary so as to permit multiplexed communications on radionavigation devices.

Radio Astronomy

1. For the purpose of insuring that interference would not be caused to scientific observations of the hydrogen line, the recommendation was made that the band 1400-1427 Mc should be reserved for this purpose in all areas.

ISM

1. Recommendations for continuing the existing series of ISM frequencies above 890 Mc were received. Although not all of these frequencies are being utilized at present, evidence was presented indicating that the properties of materials, to be treated by RF heating, required frequencies at various orders in the spectrum. Size, thickness and chemical composition influenced the order of frequency at which efficient heating could be accomplished.

2. The continued availability of the 915 Mc band was especially in issue, common carrier representatives arguing that, in view of the desirability of the band for the fixed service and the investment in existing fixed service systems, the ISM frequency should be changed or standards of radiation should be adopted which would protect the fixed service from interference.

3. For the purpose of developing more economical ISM equipment, it was recommended that the ISM bands at 2450 and 5850 Mc be widened to 2370-2500 Mc and 5650-5925 Mc respectively.

4. It was recommended that the ISM frequency at 18000 Mc be changed to the middle of the band 21635-22835 Mc corresponding to the peak of water vapor attenuation. The justification for this change was the fact that communications services could better utilize 18000 Mc than 22000 Mc while for ISM applications there was little difference in the two orders of frequency.

ATTACHMENT 2

LIST OF FREQUENCY ALLOCATION RECOMMENDATIONS RECEIVED PRIOR TO SEPT. 30, 1957, IN DOCKET NO. 11866 WHICH INVOLVE GOVERNMENT OR SHARED BANDS IN THE SPECTRUM ABOVE 890 Mc.

1. Protection from interference from communications services was requested for radio astronomy observations in the 1400-1427 Mc band. This is the hydrogen line frequency.

2. Non-Government agencies responsible for flight testing military and civil aircraft requested that a band of 100 Mc at approximately 1600 Mc allocated for joint Government/non-Government flight test telemetering. It was indicated that this band could serve an immediate objective but that for the future requirements of both non-Government and Government, a 100 Mc band at 2200-2300 Mc may be able to satisfy these operational requirements on a joint basis.

3. It was recommended that for the development of a proximity warning indicator and collision avoidance system (PWI/CAS) for aircraft, a 40 Mc band in the vicinity of 1600 Mc, a band of 100 Mc near 3000 Mc, a band of 150 Mc near 4500 Mc, a band of 300 Mc between 8500 and 9800 Mc and a band of 400 Mc between 13000 and 26000 Mc be allocated or reserved.

4. The recommendation was made the band 1300-1320 Mc be allocated to the mobile service to meet expanding requirements not being satisfied on VHF.

5. For high-definition radar and other aeronautical radionavigation service it was recommended that a band of 250 Mc between 12500 and 14500 Mc and a band of 250 Mc between 15000 and 16000 Mc be allocated. Requirements were cited for terrain mapping purposes and for use by helicopters. It was recommended that an unspecified bandwidth between 23500 and 24500 Mc be allocated for aeronautical radionavigation. High definition radar appeared to be an ultimate aim especially with respect to surveillance of planes and other objects on the ground at airports.

6. It was recommended that the 18000 Mc ISM frequency be changed to 21635-22835 Mc in view of the fact that the peak of attenuation of water vapor appeared in the latter band lessening its desirability for communications services.

7. It was recommended that the band 33000-33300 Mc be allocated for the maritime radionavigation service in order to provide for high definition ship radar and radar beacons.

T.A.B. 66/1
File A-1

TELECOMMUNICATIONS ADVISORY BOARD

MINUTES - NOVEMBER 18, 1957

The Telecommunications Advisory Board was convened in Room #100, Executive Office Building, at 10 a.m. on November 18, 1957, with Major General Jerry V. Matejka, USA (Ret.), presiding.

BOARD MEMBERS PRESENT
Major General H. M. McClelland, USAF (Ret.), Central Intelligence Agency
Honorable Louis S. Rothschild, Under Secretary of Commerce for Transportation
Commissioner Rosel H. Hyde, Federal Communications Commission
Brigadier General W. H. Duplantis, USMC (Ret.), Assistant Administrator, Federal Civil Defense Administration
Honorable David W. Kendall, Assistant Secretary of the Treasury

OTHERS PRESENT
Mr. John F. Stetson, Central Intelligence Agency
Mr. Donald C. Leavens, Department of Commerce
Mr. Paul T. Goldsborough, Department of Defense
Mr. William A. LaRue, Federal Civil Defense Administration
Mr. Laurence C. Vass, Department of State
Mr. Francis Colt de Wolf, Department of State
Capt. G. Van A. Graves, USCG, Department of the Treasury
Mr. Bradley Patterson, The White House
Mr. Charles H. Kendall, Office of Defense Mobilization
Mr. Fred C. Alexander, Office of Defense Mobilization
Mr. William E. Plummer, Office of Defense Mobilization
Mr. C. W. Loeber, Office of Defense Mobilization

1. Minutes. The minutes of the meeting of August 6, 1957, as contained in Document 58/1 and as amended by Document 61/1, were approved.

2. Position of Executive Branch Concerning FCC Hearing in Docket No. 11866 (Use of frequencies above 890 Mc).

The Board, after consideration and discussion of Document 64/1 and the appendices (Tabs A through F) adopted the following recommendations as contained in that document:

a. ODM base its reply to the FCC letter of October 3, 1957, as to frequency requirements above 890 Mc on the recommendations of IRAC without further reference to the TAB.

b. ODM draft the portion of the reply dealing with the Assistant Attorney General's letter of March 28, 1957, with such coordination as may be desired with others in the Executive Branch or the FCC.

c. ODM include in its reply the substance of the draft shown in Tab F dealing with the national defense factor.

With respect to the last recommendation the Board amended the penultimate paragraph of Tab F. The draft, as finally approved, is attached.

The Department of Defense representative stated that his approval of the draft letter was subject to the understanding that his department may at some time find it necessary to install its own microwave facilities for special purposes. The representative of the Federal Communications Commission abstained from the Board's action.

3. Progress Report on National Telecommunication Policy

Mr. Fred C. Alexander indicated that the group constituted in March 1957 had adhered to a review of Chapter VI of "Telecommunications - A Program for Progress" even though it had found other alluring paths in the policy field.

In April and June Chapter VI was briefed, supplied to the members and an exchange of views by correspondence was effected.

In August through October there were six meetings held.

In the course of the initial discussions it was established that it was not legally possible for the FCC to adopt policy unless it were part of a) existing legislation, b) treaty to which U.S. subscribed, or its own rules and regulations.

This led to the understanding that there were three types of telecommunication policy — National policy, to guide the entire nation, U.S. Government policy, to guide Government agencies, and FCC policy that would guide the FCC.

The group then attempted to indicate the force which U.S. telecommunications policy should have and under what circumstances policy should be set forth.

Chapter VI is under process of review in the light of the foregoing and it is hoped to complete this phase by December or the first of the year.

The group visualized that it would be necessary to coordinate the results of any report approved by the Board throughout the remaining agencies of Government.

There are also areas remaining, not dealt with in Chapter VI, and largely brought about by the kind of world in which we live, in which there is a need to formulate policy - and this is no doubt a job for the future.

4. The Board adjourned at 11:00 A.M.

C.W. Loeber
C. W. Loeber
Executive Secretary

APPROVED: Jerry V. Matejka
Jerry V. Matejka 19 Nov.
Major General, USA (Ret.)
Chairman

Attachment

DRAFT

AS REVISED BY THE TELECOMMUNICATIONS ADVISORY BOARD AT ITS MEETING ON NOVEMBER 18, 1957 . . . .

There is no undue apprehension on the part of the Executive Branch that the FCC will not give proper consideration to all other requirements of law and particularly to that portion of Section 1 of the Communications Act of 1934 regarding the national defense. Nevertheless, the nature of national defense has changed so radically since 1934 that it is considered desirable to set forth some of the matters affecting national defense deserving of consideration in this case.

In considering the use of any portion of the spectrum, several important facts should be kept in mind. The frequencies available for the use of this country by international agreement are a precious resource. But unlike other resources, the utility of frequencies can be destroyed by an unscrupulous enemy from his own territory. And the Communists have already demonstrated their ability to do so on a large scale. Also, scientific progress in frequency usage is so revolutionary that no firm prediction can be made now as to which frequencies will be most usable and vital to the country's defense effort in the future. It follows then that every prospective user of frequencies cannot have absolute assurance that he could make use of them in war. Some risk is involved in capital investment based on expectation of such use.

A proper concept of a possible nuclear attack on this nation and of the actions necessary to survive such attack demands that any resource capable of contributing to survival must be considered a part of national defense. Well planned and effective non-military actions would be as vitally needed as would be military actions.

The FCC has taken such intimate and cooperative part in non-military planning with the Executive Branch to meet such an eventuality that the matters mentioned below are well known and appreciated by those having access to the plans. It is felt, however, that they are not as fully appreciated by others and, for this reason, should be included herein.

The fact that this nation is blessed with a more abundant and efficient national communication system than others can be attributed to the wisdom of the Congress in enacting the Communications Act of 1934, the highly competent actions of the FCC and the Executive Branch in implementing that law, and the effective operations of the common carriers in providing a fully integrated, common service for the entire nation. The continued actions being taken by the carriers in by-passing possible targets, in installing submarine telephone cables crossing the Atlantic, in the Pacific, and to Alaska, and their contributions to SAGE, the DEW line and other projects, add both to nonmilitary and military defense resources. The abundance of these resources is a proper cause for the gratitude of the nation but not for any complacence. In war, there is rarely an excess of resources. The experience of even past wars indicates that only one channel of communication remaining after enemy action may assure ultimate success.

The provision of channels of communication is not the only contribution made by the common carriers to the national defense. The published orders governing priorities to be accorded to public communications and to the restoration of private line service in war can be made effective only by actions of the common carriers. The performance of such a function in the national interest is a vital necessity to survival after attack. Unfortunately the use of these valuable priority procedures could not be applied in the case of unrelated private facilities that do not operate in a common system and are designed to serve isolated or restricted points. If the likely assumptions are made that the combined resources of the common carriers would not be adequate to provide these priority services, and that national resources of manpower, materials, transportation, power, etc., would be limited, it is reasonable to expect that priorities in supplying such resources would be given to the common carriers.

Similarly, none other than the common carriers could adequately make valid estimates of telecommunications damage suffered in an attack and take actions to restore vital portions of the system in time to permit recovery. As you are aware, this ability was amply demonstrated in Operation Alert 1957 when all carriers affected engaged in this exercise.

Some opinion has been expressed that communication systems designed and constructed to render a specialized or particular service as distinct from the common carrier services of the U. S., consisting of the many companies engaged in that business, would contribute to the national defense. This is considered partly true as regards any system used for public safety or one which facilitates the operation of a public utility, any form of transportation, or of other vital industry. From a national defense planning standpoint, however, the only prudent assumptions possible are that such special systems, if vital, could be permitted to continue to operate for the purposes originally intended and that any additional service obtainable from them might assist on a limited localized scale, but would not make a comparable contribution to the national system so vital to adequate defense.

The Executive Branch welcomes this opportunity to assist you in the consideration of this vitally important matter. You may rest assured that it will continue as in the past to cooperate fully with you in all communication matters affecting the national interest.

TELECOMMUNICATIONS ADVISORY BOARD

April 10, 1958

To: Members, Telecommunications Advisory Board

From: Executive Secretary

Subject: Use of Frequencies Above 890 Mcs (FCC Docket No. 11866)

Attached for information is additional correspondence concerning subject matter originated by the Electronic Industries Association. It refers particularly to the Director's letter dated January 6, 1958 addressed to the Chairman, FCC (T.A.B. 67/1) a copy of which was forwarded to you under memorandum dated January 13, 1958.

R. M. Obermiller

R. M. Obermiller

Attachments T.A.B. 76/1 and 77/1

EXECUTIVE OFFICE OF THE PRESIDENT
Office of Defense Mobilization
Washington 25, D. C.

April 4, 1958

MEMORANDUM FOR THE DIRECTOR

SUBJECT: FCC Docket No. 11866

For your information there is attached a copy of a letter dated March 31, 1958, from the Electronic Industries Association to the Chairman, FCC, regarding the matter covered in your letter to the FCC of January 6, 1958, copy of which is also attached.

Copies of the EIA letter are being distributed to the members of the Telecommunications Advisory Board for their information.

Recommend no action on this letter beyond the actions now being taken in connection with the first paragraph of your letter of January 6, 1958, on specific frequencies. Recommendations thereon will be submitted to you in the near future.

/s/
Jerry V. Matejka
Major General, USA (Ret.)
Assistant to the Director
for Telecommunications

ELECTRONIC INDUSTRIES ASSOCIATION
1721 De Sales Street, N. W.
Washington 6, D. C.

March 31, 1958

Honorable John C. Doerfer, Chairman
Federal Communications Commission
Washington 25, D. C.

Subject: FCC Docket No. 11866

Dear Mr. Doerfer:

This letter is submitted on behalf of the Electronic Industries Association and is occasioned by the January 6, 1958, letter signed by Mr. Gordon Gray, Director of the Office of Defense Mobilization, and made a part of the public file in the above designated Docket.

The allocation of radio frequencies is a matter of great importance to the public, to communication users and to the manufacturers of communications equipment. Manufacturers are concerned regardless of whether the frequencies involved are government or non-government because, of course, they supply equipment to both government and non-government users. The public interest as reflected in national defense and other considerations requires that the best possible allocation of radio frequencies be made. Unwise allocations could stifle the communications industry rather than foster the strong growth so vital to our country's national defense and other needs. It is this steady growth, nurtured by the competition of our free enterprise system, which has provided the striking technological progress of the communications industry.

Mr. Gray's letter was concerned primarily with a consideration of national defense requirements as those requirements relate to use of the radio spectrum in times of national emergency. Consideration of this matter is timely and we wish to add the following comments to the observations contained in Mr. Gray's letter.

There are two broad categories of communication needs in a time of emergency. The first category includes those which require use of an inter-connected national communications system; the second category includes all other uses not dependent upon any form of inter-connection. The needs of the first category of use can be supplied best by the common carrier system and so there is no question of the essential nature of the nation-wide coordinated communication service provided by communication's common carriers.

During war-time crises, however, the facilities of the common carriers have been and will continue to be overburdened by an almost infinite demand for communications circuits. It is in such trying times that communication demands which do not have to be provided by and transmitted over communication common carrier circuits should be met by alternative methods. Private microwave facilities developed in a healthy peacetime economy will be available during war-time to satisfy that part of the nation's communication's needs which do not depend upon interconnection. It is therefore imperative that the frequency allocation policies of the Commission recognize and provide for private communication systems.

This Association believes that the frequency allocation proceedings now being carried on by the Commission are of the utmost importance. The views expressed in the proceedings should be given careful consideration before any conclusions are reached with respect to frequency allocations either on a national or international level.

Respectfully submitted,

ELECTRONIC INDUSTRIES ASSOCIATION

/s/

William L. Reynolds
General Counsel

#58-304-a

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JAN 6 1958

Honorable John C. Doerfer
Chairman
Federal Communications Commission
Washington 25, D. C.

Dear Mr. Doerfer:

Concurrently with the Commission's hearing in Docket No. 11866, the Executive Branch, through the mechanism of the Interdepartment Radio Advisory Committee, has been reviewing the Table of Frequency Allocations above 27.5 Mc/s in preparation for the forthcoming International Radio Conference. The IRAC proposals for revision of the Table above 27.5 Mc/s were transmitted to the Commission on November 18, 1957, for coordination. Examination of these proposals between the IRAC and the FCC Liaison Representative thereto was initiated on November 27 and is scheduled to be resumed on January 7, 1958, with the hope of completion within sixty days. It is the view of the Executive Branch agencies and of this office that any examination of the recommendations to the Commission, included in the attachments to your letter of October 3, outside the context of the Table of Frequency Allocations as a whole, would not produce the desired results. It is the view of this office, with the concurrence of the Commission, that the technical consideration of Non-Government and Government proposals for changes in the Table should be accomplished in the Joint FCC/IRAC group mentioned above and that the Commission and this office should jointly consider their recommendations.

There is no undue apprehension on the part of the Executive Branch that the FCC will not give proper consideration to all other requirements of law and particularly to that portion of Section 1 of the Communications Act of 1934 regarding the national defense. Nevertheless, the nature of national defense has changed so radically since 1934 that it is considered desirable to set forth some of the matters affecting national defense deserving of consideration in this case.

In considering the use of any portion of the spectrum, several important facts should be kept in mind. The frequencies available for the use of this country by international agreement are a precious resource. But unlike other resources, the utility

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of frequencies can be destroyed by an unscrupulous enemy from his own territory. And the Communists have already demonstrated their ability to do so on a large scale. Also, scientific progress in frequency usage is so revolutionary that no firm prediction can be made now as to which frequencies will be most usable and vital to the country's defense effort in the future. It follows then that every prospective user of frequencies cannot have absolute assurance that he could make use of them in war. Some risk is involved in capital investment based on expectation of such use.

A proper concept of a possible nuclear attack on this nation and of the actions necessary to survive such attack demands that any resource capable of contributing to survival must be considered a part of national defense. Well planned and effective non-military actions would be as vitally needed as would be military actions.

The FCC has taken such intimate and cooperative part in non-military planning with the Executive Branch to meet such an eventuality that the matters mentioned below are well known and appreciated by those having access to the plans. It is felt, however, that they are not as fully appreciated by others and, for this reason, should be included herein.

The fact that this nation is blessed with a more abundant and efficient national communication system than others can be attributed to the wisdom of the Congress in enacting the Communications Act of 1934, the highly competent actions of the FCC and the Executive Branch in implementing that law, and the effective operations of the common carriers in providing a fully integrated, common service for the entire nation. The continued actions being taken by the carriers in by-passing possible targets, in installing submarine telephone cables crossing the Atlantic, in the Pacific, and to Alaska, and their contributions to SAGE, the DEW line and other projects, add both to non-military and military defense resources. The abundance of these resources is a proper cause for the gratitude of the nation but not for any complacence. In war, there is rarely an excess of resources. The experience of even past wars indicates that only one channel of communication remaining after enemy action may assure ultimate success.

The provision of channels of communication is not the only contribution made by the common carriers to the national defense. The published orders governing priorities to be accorded to public communications and to the restoration of private line service in war can be made effective only by actions of the common carriers. The performance of such a function in the national interest is a vital necessity to survival after attack. Unfortunately the use of these valuable priority procedures could not be

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applied in the case of unrelated private facilities that do not operate in a common system and are designed to serve isolated or restricted points. If the likely assumptions are made that the combined resources of the common carriers would not be adequate to provide these priority services, and that national resources of manpower, materials, transportation, power, etc., would be limited, it is reasonable to expect that priorities in supplying such resources would be given to the common carriers.

Similarly, none other than the common carriers could adequately make valid estimates of telecommunications damage suffered in an attack and take actions to restore vital portions of the system in time to permit recovery. As you are aware, this ability was amply demonstrated in Operation Alert 1957 when all carriers affected engaged in this exercise.

Some opinion has been expressed that communication systems designed and constructed to render a specialized or particular service as distinct from the common carrier services of the U. S., consisting of the many companies engaged in that business, would contribute to the national defense. This is considered partly true as regards any system used for public safety or one which facilitates the operation of a public utility, any form of transportation, or of other vital industry. From a national defense planning standpoint, however, the only prudent assumptions possible are that such special systems, if vital, could be permitted to continue to operate for the purposes originally intended and that any additional service obtainable from them might assist on a limited localized scale, but would not make a comparable contribution to the national system so vital to adequate defense.

In restating the importance to the national defense of an integrated common communications service it is not my purpose to suggest a wholesale turning over of the microwave portion of the spectrum to the common carriers. Assistant Attorney General Hansen, in his letter to you dated March 28, 1957, pointed out that the Communications Act does not require that any particular portion of the spectrum "should be turned over to the common carriers." The interests of national defense do not call for a different reading of the statute. It is important, rather, that the need for a national system of communications in times of defense emergency be given full weight among the other pertinent considerations when allocations of spectrum space are made.

Sincerely yours,

(Signed) Gordon Gray

Gordon Gray
Director

Telecommunications 1/2/58
JVMatejka/hrt
cc: Director
Records - 2
Tele Records
Reading File

T.A.B. 62/1
October 7, 1957

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TELECOMMUNICATIONS ADVISORY BOARD

INFORMATION MEMORANDUM

SUBJECT: FCC Hearing in the Matter of Allocation of Frequencies in the Bands Above 890 Mc. (Docket No. 11866)

SUMMARY

The necessity for holding a public hearing to review the table of radio frequency allocations above 890 Mc arises because there has been no joint review of the table by the Government and the Federal Communications Commission since preparations were made for the 1947 International Telecommunication Conferences and because the United States is now in the process of preparing for the 1959 International Radio Conference. The Executive Branch has a substantial interest in these hearings because of the sharing which takes place between government and non-government radio services in various bands, the effect of expansion of non-government use of the bands on government services, and the dependence of the Government, particularly in an emergency, on common carrier radio services which use these bands. They are presently used for radar and navigation radio services, common carrier microwave circuits, municipal and state mobile police radio services, and classified government uses.

The FCC listed 19 issues on which it desired testimony. Of these, 7 are regarded as being of particular significance to the Government. About 60 trade associations, radio equipment manufacturers, radio communication companies and telephone and telegraph companies presented witnesses who offered testimony.

Regarding the adequacy of present bands available for fixed poin-to-point microwave service, one group of witnesses testified that there was an abundance of frequencies available for this service; a second group stated that it would be necessary to plan carefully the use of frequencies if all requirements were to be met in the present bands; a third group testified that there was a definite limitation to the number of microwave systems which can be accomodated in the present bands. This group spoke of saturation of the spectrum in view of the anticipated great development in common carrier microwave use during the next decade or two.

On the issue of whether the Commission should consider the availability of common carrier facilities a condition of eligibility for private systems, a sharp division between the users, on the one hand, and the common carriers, on the other hand, was evident. On the whole, the user group opposed making the availability of common carrier facilities a criterion for private microwave systems, while the common carrier group expressed a strong feeling that unless users of the fixed services were required to employ the common carrier facilities whenever available the effect upon the ability of the common carrier companies to serve the public interest would be deterimental.

As to the effect of large scale operation of private microwave systems upon the ability of common carriers to serve the general public, representatives of the common carriers pointed out in some detail the effect chiefly on the types of service and cost to the general public. As an example, it was shown that since the inauguration of common carrier microwave relay systems for intercity communication in 1951 the cost per circuit mile for telephone plant dropped from around $72 to about $51 at the end of 1956. The common carriers also pointed to the undesirable effects of having extensive private communication service without regulation or obligation to the public.

The question as to whether the FCC has a legal obligation to protect common carrier users was answered by witnesses who testified on behalf of user associations to the effect that the law does not obligate the Commission to restrict the operation of private systems for the economic protection of common carriers or their subscribers. The common carriers, on the other hand, inferred that such an obligation existed since in their view the licensing of private microwave systems for general business and industrial purposes would be injurious to the general public.

In the view of several witnesses, the effect on competition were the Commission to deny or restrict the operation of private point-to-point systems where common carrier systems are available would be to lessen competition or to foster monopoly. The representative of one equipment manufacturer testified that there should be far more concern about the necessity for limiting the expansion of the common carrier monopoly than about the slight effects of desirable competition upon common carrier revenues. On the other hand, testimony was offered by another manufacturer to the effect that there is definitely competition now in sales to all segments of the common carrier industry.

Regarding the matter of interconnecting common carrier and private microwave systems, the testimony of most user associations was to the effect that some form of interconnection should either be permitted or required. However, representatives of the common carriers stated that they would probably be compelled to resist broad interconnection to the general business communication systems.

Except for the testimony of representatives of the common carriers, practically no testimony was offered on the question of the desirability of sharing bands of frequencies between private and common carriers. The latter vigorously opposed such sharing chiefly on technical grounds.

BACKGROUND

No joint comprehensive review of the domestic and international tables of radio frequency allocations has been made by the Government and the Federal Communications Commission since the years immediately prior to the 1947 International Telecommunication Conferences held in Atlantic City. Insofar as the frequency bands above 890 Mc are concerned, the allocation table adopted at Atlantic City reflects largely the wartime usage of frequencies and the anticipated development of services in these bands. The FCC, in its preliminary notice of hearing in the above-named Docket, points out that "It is now obvious that changes and developments in the art of radio and in its commercial use have brought about a need to re-examine the service allocation of frequency bands above 890 Mc, where some of the services anticipated tweleve years ago have developed to a very great degree, some have failed to develop at all, and, in some instances, the shared uses which have been permitted appear to be incompatible."

Such a review, particularly of the table above 890 Mc, is also needed in preparation for the International Radio Conference to be held in 1959. It will be necessary to obtain international concurrence to any major changes in the table, particularly since such changes may affect important safety services.

From the standpoint of the Government, the current FCC hearings are of major importance. In the first place, there are a number of bands which are shared by both Government and non-government radio stations and services, such as, for example, radio navigation aids, radar, and radio altimeters. There are also other bands in which both the FCC and the Government share for various other services. In the second place, the Government has an important interest in the common carrier microwave services upon which it depends to a very great degree in connection with communications relating to the national defense and security. The Government's interest, therefore, requires that no action be taken to modify the table of frequency allocations in such a way as to jeopardize the future ability of the communication common carriers to provide the types of service which the Government now and in the future will require of them.

The microwave bands above 890 Mc are used by the following types of services:

1. Industrial, scientific, and medical (diathermy)
2. Miscellaneous broadcast services such as studio-transmitter links
3. Aeronautical radio navigation
4. Surveillance and navigation radar
5. Radio altimeters

6. Fixed common carrier and private microwave circuits, including microwave intercity relay networks

7. Meteorological radio aids

8. Land mobile communications (municipal & state police, private, military, and other government)

9. Classified government uses

10. Telemetering and aviation test flight operations

Witnesses at the FCC hearing included representatives of radio equipment manufacturers, radio communication companies, telephone companies, the telegraph company, and many associations such as those for railroads, pipe lines, police radio, forestry, and retail dry goods.

A complete list of organizations which presented witnesses is contained in Annex A.

ISSUES OF MAJOR IMPORTANCE TO THE GOVERNMENT

A complete listing of all issues set forth by the Commission in Docket No. 11866 is given in Annex B.

Of the 19 issues the seven discussed below are of special importance to the Government.

DISCUSSION OF ISSUES AND SUBSTANCE OF TESTIMONY OFFERED

Issue No. 2. Are frequencies for point-to-point use available in sufficient numbers so that there is no necessity for the Commission to make determinations as to (a) the relative needs of potential users; (b) which of such potential users should be allocated spectrum space; or (c) the permissible use of such frequencies? If because of shortages of frequencies or facilities common carriers would be unable to satisfy the needs of all potential users of leased circuits, should there be established a system of priorities to insure availability of facilities to meet the most essential requirements?

Discussion

This issue relates to two types of point-to-point uses. The first is for short-haul intracity communication where usually no intermediate relay station is required. The second relates to cross-country intercity facilities in which the terminal stations are connected through intermediate repeater stations spaced thirty or more miles apart. This issue, therefore, involves two considerations. In the case of intracity short-haul point-to-point service the question revolves about the number of channels which may be accomodated in any one metropolitan area. The concentration of such channels in such an area presents more complex problems than are normally represented by microwave relay systems which extend through the open country. Many more of the latter may normally be accomodated in a particular frequency band than may be accomodated in a metropolitan area. The situation is, therefore, roughly analogous to a highway network which funnels large numbers of vehicles from many cross-country highways into a limited number of thoroughfares in a metropolitan area. This issue as stated relates to the bands presently allocated to the fixed point-to-point service. Common carriers are at present by far the largest users of the point-to-point fixed bands. However, numerous private microwave systems are being planned. Therefore, unless the total number of present and prospective users and the expansion of existing systems now being contemplated is known there is not way to evaluate the adequacy of the space presently available to this service.

The changes in the allocation table recommended by the witnesses are shown in Annex C.

Testimony

The testimony on this issue can be classified into three groups. The first group which consisted largely of utility, state, and municipal users testified in substance that there was no shortage of microwave frequencies in the foreseeable future. They spoke of the abundance of spectrum space and the virtually unlimited number of frequencies available. The second group of witnesses consisting of manufacturers' associations, users' associations and individual manufacturers testified to the effect that with careful planning it should be possible to accomodate present and future requirements. The third and smallest group composed of representatives of the Lenkurt Electric Company, The American Telephone and Telegraph Company and the Association of American Railroads felt that there was a definite limit to the number of microwave systems that could be accomodated in the fixed point-to-point bands above 890 Mc. They spoke of saturation of this portion of the spectrum, the definite limitation to the number of systems which can be accomodated, and the anticipated great development in the common carrier microwave field during the next decade or two.

Issue No. 6. Apart from other considerations, should the Commission consider the availability of common carrier facilities as a condition of eligibility?

Discussion

This issue relates to the totality of common carrier facilities which may be available for public and private line communications between any two points. Common carrier facilities are not confined to microwave systems but also include open wire and cable facilities. A further consideration in connection with this issue is the case in which a prospective requirement may be satisfied in part by a common carrier facility but the balance of the requirement must be satisfied by some other means. In such a case the question arises as to whether the common carrier should be required to connect with the private facility in order to provide through service.

Testimony

Testimony on this issue was quite sharply divided between manufacturers, trade associations, and users on the one hand, and the common carriers, Western Union, AT&T, and the United States Independent Telephone Association on the other hand.

The first group was opposed to making the availability of common carrier facilities a criterion of private microwave system authorizations. On the one hand, the utility and so-called "right-of-way" groups, represented by the National Committee for Utilities Radio, The American Petroleum Institute, and the Association of American Railroads, pointed out that the nature of their operations were such as to require them to have absolute control over their communication systems. On the other hand, other users and the manufacturers pointed to the need to maintain competition in this field of communication.

The common carrier group, however, expressed a strong feeling that unless users of the fixed services (other than "right-of-way" users) were required to employ the common carrier facilities whenever available, the effect upon the ability of the common carrier companies to serve the general public would be detrimental. It was their position that a policy of licensing private microwave systems for general business and industrial purposes would not only be wasteful of communication facilities, manpower and frequencies, but would also adversely affect common carrier communication services upon which the Nation depends so largely for its defense and its economic and social life. The common carriers also referred to the "cream skimming" which would occur if private communication services were permitted to drain off the most profitable portions of the common carrier revenues. Microwave frequencies, it was stated, should not be granted to provide duplicating service where the common carrier service is available or can be made available within a reasonable period of time.

Issue No. 7. What effect would the authorization of private point-to-point systems where common carrier facilities are available have on the ability of the common carriers to serve the general public, and if such effect is detrimental, the specific nature, extent and magnitude of such detriment?

Discussion

This issue relates to the possible results upon common carriers should heavy users of common carrier services including leased private lines construct their own systems and thus deprive the common carriers of revenue. Were this done on a large scale, the carefully planned facilities now being provided by the common carriers in anticipation of future demands could experience substantial reduction in demand. In sparsely populated areas of the country it may currently be desirable from the standpoint of a user to construct private facilities because of the absence of common carrier facilities. The existence of such private facilities may at a later date greatly lessen the incentive for the construction of new common carrier facilities, thereby forcing others to provide private systems.

Testimony

Private users, manufacturers, and trade associations did not testify explicitly on the effects of the operations of private systems on the ability of common carriers to serve the general public; however, the common carriers pointed out in some detail the detrimental affect on public service were private systems to be licensed indiscriminately. The AT&T testified that upward of 50 per cent of the Bell System intercity facilities are now on radio when measured in terms of megacycle miles which is the product of band width and circuit length. This figure includes television program circuits. Twenty-two per cent of the intercity telephone circuits were operating on radio relay at the end of 1956, while 78 per cent of the intercity television circuit mileage was by radio. The AT&T further testified that since the first use of microwave relay systems for intercity communication in 1951 the cost for interstate telephone plant dropped from about $72 to approximately $51 per telephone circuit mile at the end of 1956. Future demands for intercity telephone circuits are expected to increase the use of microwaves from 22 per cent in 1956 to about 55 per cent in the next decade. That even much greater use of microwaves for intercity communication will be necessary within fifteen or twenty years is indicated by the testimony that the Bell System feels that a substantial proportion of telephones, particularly for business purposes, will be equipped with visual adjuncts before the end of the next two decades. Western Union testified that a broad policy of granting microwave frequencies to all who desire to enter the field will make an already bad competitive situation intolerable. Even more important is that a whole new concept of private communication service without regulation or public obligation will be substituted for long established common carrier principals in a major segment of the communication industry. The only sound criterion, continued Western Union, for granting microwave frequencies is the one of broad public interest. Western Union believes that measured against this standard there are relatively few situations that will justify the allocation of microwave frequencies for noncommon carrier use in private industry.

Issue No. 8. Is there any obligation on the part of the Commission under the provisions of the Communications Act to protect the users of common carrier service from any adverse economic effects that the carriers might suffer from the operation of private point-to-point systems? If there is no statutory obligation, is it desirable in the public interest for the Commission to establish this as a matter of policy?

Discussion

This issue relates to Section 1 of the Communications Act of 1934, as amended, wherein Congress indicated that it created the Federal Communications Commission for the purpose of regulating interstate and foreign commerce in communication by wire and radio so as to make available so far as possible to all the people of the United States the rapid efficient nation-wide and world-wide wire and radio communication service with adequate facilities at reasonable charges, for the purpose of the national defense, and for other purposes.

Testimony

Witnesses for four associations of users testified that the law does not obligate the Commission to restrict the operation of private systems for the economic protection of common carriers or their subscribers. One witness testified that the adoption of a policy which would have this restrictive effect would be inconsistent with the law. A spokesman for AT&T, however, took a contrary view when he inferred that the Commission did have such an obligation and stated that the indiscriminate licensing of private microwave systems for general business and industrial purposes would be injurious to the general public. A witness for Western Union testified that the only sound criterion for granting microwave frequencies is the one of broad public interest.

Issue No. 9. Would a policy of restricting or denying a private point-to-point system because common carrier facilities are available be inconsistent with any of the provisions of the Communications Act? Would such restrictions result in a lessening of competition or a fostering of monopoly in the manufacture, sale, use or provision of communications facilities contrary to the public interest?

Discussion

This issue relates to Federal anti-trust statutes and to Section 314 of the Communications Act. The latter provides that no person engaged in the business of transmitting and receiving for hire energy, communications, or signals by radio shall acquire, own, control or operate any cable or wire telegraph or telephone line or system or shall acquire, own, or control stock or other capital interest in the physical property and assets of such a cable, wire, telegraph, or telephone line or system if the purpose is or the effect may be to substantially lessen competition, to restrain commerce, or to create an unlawful monopoly. Conversely this section prohibits cable, wire, telegraph or telephone companies from acquiring, owning, controlling or operating facilities for radio communication or acquiring, owning or controlling the stock or interest in the physical property of radio station or system if the purpose is or the effect may be to substantially lessen competition, restrain commerce, or create an unlawful monopoly. This section was originally incorporated in the Radio Act of 1927 and was intended to foster competition between radio and wire line or submarine cable communication systems.

Testimony

A witness for the National Committee for Utilities Radio testified that restriction of private microwave systems or their denial would lessen competition or foster monopoly. A representative for Motorola, Inc. testified that in his opinion to permit the common carriers to hold the exclusive right to supply service for all private line customers where such service could be made available economically would be providing "cream skimming" support for common carrier monopoly. He thought there should be far more concern about the necessity for limiting the expansion of the common carrier monopoly than about the slight effects of desirable competition upon common carrier revenues. A spokesman for the Lenkurt Electric Company, on the other hand, stated that there definitely is competition now in sales to all segments of the common carrier industry. His company saw no reason why the present competitive situation would be lessened by any restrictions on the licensing of microwave systems.

Issue No. 10. To what extent will the contemplated private point-to-point communications systems depend upon interconnection with common carrier facilities?

Discussion

This issue raises the question as to whether it is desirable to permit private systems to be connected into common carrier radio or wire systems. It has in general been the policy on the part of regulatory bodies not to compel interconnection. The effect of such interconnection on the common carrier revenues is fairly obvious. A private system is generally employed to carry the bulk of the communication traffic, and interconnection serves the purpose of affording such a private facility the ability to connect with the general telephone network. The common carrier, on the other hand, is required to forego the revenue from the large volume of communication traffic passing over the private system and receives only the revenue from the interconnection.

Testimony

In general the associations of users favored some form of interconnection and felt that it should either be permitted or required. In some cases such as that of the truckers it was stated that a private microwave system would be absolutely worthless without interconnection with the common carrier system. Some groups agreed with the statement of the American Petroleum Institute that private systems only have a need for termination in the common carrier facility and have no need for interconnection to public exchange facilities. In opposition to the above testimony the common carriers represented by the American Telephone & Telegraph Company and Western Union opposed broad interconnection of private systems with common carrier systems. AT&T testified that with respect to interconnection there were three types of such service: For terminating private circuits; for connecting different lines of a private-line customer on a switchboard; and for continuing a private line into the common carrier telephone system. The third type is not generally provided by the Bell System companies and if the FCC were to broaden permissible use of microwave facilities, the Bell System would probably resist broad interconnection to the general business communication systems.

Issue No. 19. To what extent, if any, should the bands of frequencies for fixed operations above 890 Mc. be shared by common carriers and private users?

Discussion

This issue raises technical questions regarding such matters as coordination in the planning of frequency usage, the engineering standards which should be met by systems sharing frequency bands, and the economical use of the frequency spectrum. Should frequency band sharing between private and common carrier systems be required, it follows that one of the first considerations must be the adoption of uniform standards of engineering design and practice consistent with the state of the art.

Testimony

Meager testimony was offered on this issue. A representative for RCA Communications, Inc. suggested shared operations in the international control and international fixed bands. He stated that considerable geographical sharing would be possible. An AT&T witness testified that his company considers the sharing of bands of frequencies for fixed operations above 890 Mc. by common carriers and private users impracticable. The Western Union spokesman vigorously opposed sharing of the common carrier bands with private users. He said that coordinating frequency usage with a plurality of private point-to-point users would result in confronting the common carriers and the FCC with ever-increasing interference problems.

Annex A

List of Participating Organizations and Companies

Aeronautical Flight Test Coordinating Council
Aeronautical Radio, Inc.
Air Transport Association of America
American Association of State Highway Officials
American Bridge, Tunnel, and Turnpike Association
American Institute of Electrical Engineers
American Municipal Association
American Newspaper Publishers Association
American Petroleum Institute
American Telephone and Telegraph Company
American Trucking Associations
American Waterways Operators
Associated Police Communications Officers
Associated Universities, Inc.
Association of American Radiroads
Atchison, Topeka, and Santa Fe Railroad

California-Oregon television, Inc.
Chicago, Rock Island, and Pacific Railroad
Collins Radio

Dage Television
Daily Telegraph Printing Company

Eastern States Police Radio League

Forest Industries Communications
Forestry Conservation Communication Association
Freeport Sulphur Company

General Electric Company

International Association of Chiefs of Police
International Municipal Signal Association

Jerrold Electronics Corporation
Joint Council on Educational Television

Kelvinator Corporation

Lenkurt Electric Company
Los Angeles Police Department

McLean Trucking Company
Michigan State Police
Minute Maid Corporation
Montana Power
Motorola Inc.

Annex "A"
continued

National Association of Manufacturers
National Association of Radio & Television Broadcasters
National Association of State Foresters
National Committee for Utilities Radio
National Community Television Association
National Retail Dry Goods Association
National Science Foundation
North Dakota Broadcasting Company

Operational Fixed Microwave Council

Peninsula Broadcasting Company
Philco Corporation
Press Wireless

RCA Communications, Inc.
Radio-Electronics-Television Manufacturers Association (Now Electronic Industries Association)
Raytheon Manufacturing Company

Society of the Plastics Industry, Inc.
Southern Pacific System
Southern Regional Educational Board
Special Industrial Radio Services Association

Tappan Stove

United States Independent Telephone Association

Western Union Telegraph Company
Westinghouse

Annex B

List of Issues

1. What are the present and future demands for frequencies above 890 Mc for point-to-point radio communication systems, both common carrier and private?

    (a) How were these demands satisfied previously, i.e., private wire, use of private radio other than microwave, common carrier wire or radio facilities?

    (b) What benefits accrue to the user and the general public from the use of microwave frequencies for private point-to-point radio systems as compared with other means of communications and the specific nature, extent and magnitude of such benefits?

2. Are frequencies for point-to-point use available in sufficient numbers so that there is no necessity for the Commission to make determinations as to (a) the relative needs of potential users; (b) which of such potential users should be allocated spectrum space; or (c) the permissible use of such frequencies? If because of shortages of frequencies or facilities common carriers would be unable to satisfy the needs of all potential users of leased circuits, should there be established a system of priorities to insure availability of facilities to meet the most essential requirements?

3. Where (geographically and spectrumwise) would assignment of frequencies for private point-to-point systems without limitation create problems of harmful interference either from (a) limited availability of suitable sites for transmitters and receivers; (b) terminal congestion resulting from the desire to terminate multiple systems at a common geographical location; or (c) other pertinent conditions?

4. If limitations are warranted for private point-to-point use, what standards of eligibility should be adopted? Should they be established on a geographical basis?

5. To what extent, if any, should the Commission permit or require the sharing of private point-to-point microwave systems?

6. Apart from other considerations, should the Commission consider the availability of common carrier facilities as a condition of eligibility?

7. What effect would the authorization of private point-to-point systems where common carrier facilities are available have on the ability of the common carriers to serve the general public, and if such effect is detrimental, the specific nature, extent and magnitude of such detriment?

8. Is there any obligation on the part of the Commission under the provisions of the Communications Act to protect the users of common carrier service from any adverse economic effects that the carriers might suffer from the operation of private point-to-point systems? If there is no statutory obligation, is it desirable in the public interest for the Commission to establish this as a matter of policy?

9. Would a policy of restricting or denying a private point-to-point system because common carrier facilities are available be inconsistent with any of the provisions of the Communications Act? Would such restrictions result in a lessening of competition or a fostering of monopoly in the manufacture, sale, use or provision of communications facilities contrary to the public interest?

10. To what extent will the contemplated private point-to-point communications systems depend upon interconnection with common carrier facilities?

11. What are the requirements for mobile operations for spectrum space above 890 Mc? Should the band 890-960 be reserved for land mobile use?

12. What are the requirements for ISM operations for spectrum space above 890 Mc? May other uses of radio share the bands that might be used by such operations?

13. What are the requirements for the radio navigation service for spectrum space above 890 Mc?

14. What are the requirements for any potential users of spectrum space above 890 Mc not otherwise encompassed in other issues herein set forth?

15. Under what circumstances, if any, should private or common carrier fixed systems be authorized to operate on frequencies below 10,000 Mc in terminal or metropolitan areas?

16. Should the Commission authorize the use of a system which occupies a broad band of frequencies in those cases in which a licensee has requirements for only a portion of the number of channels which can be accomodated in the same amount of space? Is there a requirement for narrow band equipment?

17. Should common engineering standards be established for all point-to-point microwave equipment and, if so, what should they be?

18. Should there be any restrictions on the use of frequencies above 30,000 Mcs?

19. To what extent, if any, should the bands of frequencies for fixed operations above 890 Mc be shared by common carriers and private users?

Annex C

FCC Docket No. 11866 - Service Allocations Above 890 Mc
Present Allocations and Proposed Changes

Band (Mc)	Present Service Allocation	Proposed Change	Proposed by
890-940	Industrial, Scientific Medical (ISM)	Common Carrier	USITA
	Fixed, Broadcast	Common Carrier	ATT
		Expand Band to 890-960 (see note 1)	Lenkurt
		890-895 Common Carrier)	
		895-900 Citizens' Radio)	
		900-930 ISM, Citizens' Radio)	Motorola
		930-935 Citizens' Radio)	
		935-940 Common Carrier)	
		890-940 ISM (primary))	
		890-895 Citizens' Fixed & Mobile)	
		(secondary))	EIA
		895-935 Possibly amateur (secondary))	
		935-940 Citizens' Fixed & Mobile)	
		(secondary))	
940-952	Studio- Transmitter Links (Inter-city relay conditional)	Add Mobile Service	Motorola
952-960	International Control & Operational Fixed	See Lenkurt - above	
1300-1365	Radar only	1300-1320 Reserve for Mobile	Motorola
1365-1660	Aero, Radio navigation (incl.altimeters)	40 Mc near 1600 Mc for Proximity)	
		Warning & Collision Avoidance Systems)	Aero, Inc.
		1400-1427 Radio Astronomy	(EIA
			(NSF
			(AUI
		100 Mc. at or below 1600 Mc for)	
		Telemetry- Shared with Government)	AFT
2110-2200	International Control & Operational Fixed	Same as at present or common carrier fixed	EIA
2200-2300	Government	Telemetry- Shared with Government	AFT

Band (Mc)	Present Service Allocation	Proposed Change	Proposed by
2300-2450 2450-2500	Amateur) ISM Fixed, Mobile (Land & Mobile Radio positioning conditional)) ISM	2370-2500 - ISM	Raytheon
		2300-2350 - Fixed & Mobile 2350-2370 Amateur 2370-2500 ISM (primary) Amateur (secondary)	EIA
2900-3246	Radio navigation (Experimental, Land & Mobile Radio positioning conditional)	100 Mc near 3000 Mc for Proximity Warning & Collision Avoidance Systems	Aero, Inc.
3500-3700	Land, Mobile	Common Carrier Fixed	ATT
3500-3700		New developments (see note 2)	EIA
3700-4200	Common Carrier Fixed	3500-4200 Common Carrier Fixed	USITA
4200-4400 4400-5000	Altimeter Government	150 Mc near 4500 Mc for Proximity Warning & Collision Avoidance Systems	Aero. Inc.
5650-5925	Amateur, 5650-5850 ISM	ISM	Raytheon
		5650-5925 ISM (primary) Amateur (secondary)	EIA
5925-6425	Common Carrier Fixed	Common Carrier	USITA
6425-6575	Land, Mobile (except TV pickup)	Common Carrier Fixed & Mobile	ATT-USITA
		Operational Fixed	Motorola
		Land & Mobile, operational fixed, broadcast fixed, international control	EIA
6875-7125	TV pickup, Studio-Transmitter Links (Inter-city TV relay conditional)	7050-7125 Common Carrier TV pickup & Studio-Transmitter Links (exclusive)	ATT
8500-9800	Radio navigation (9300-9320 Racon)	300 Mc between 8500-9800 Mc Proximity Warning, Collision Avoidance Systems	Aero. Inc.
10550-10700	Fixed, Mobile	10550-12200 Common Carrier Fixed & Mobile	ATT
		10550-10700 Operational Fixed	EIA
10700-11700	Common Carrier Fixed	10550-12200 Common Carrier	USITA
11700-12200	Land, Mobile (except TV pickup)	10550-10700 Common Carrier	Motorola
		11700-12200 Operational Fixed	Motorola
		11700-12200 Operational Fixed, broadcast fixed, international control	EIA
12200-12700	International Control, Operational Fixed	250 Mc between 12500-14500 Mc for Aeronautical Radio navigation	Aero, Inc.

Band (Mc)	Present Service Allocations	Proposed Change	Proposed by
12700-13200	TV pickup, Studio-Transmitter Links (TV Inter-city relays conditional)	12700-12875 Common Carrier (exclusive TV pickup & studio transmitter links)	ATT
13200-13225	TV pickup, Studio-Transmitter Links	Fixed Mobile	EIA
13225-16000	Government	250 Mc between 15000-16000 for) Aeronautical Radio navigation)	Aero, Inc.
16000-18000	Fixed, Mobile	16000-17850 Common Carried Fixed	ATT
		16000-16300 Radio navigation	Raytheon
		16300-16340 Racon	Raytheon
		16000-18000 Common Carrier	USITA
		16000-16600 New developments	)
		16600-17300 Operational fixed, inter'l control	)
		17300-18000 Common Carrier fixed	) EIA
		16000-16700 Operational Fixed	)
		16700-17300 Reserve for new uses	)
		17300-18000 Common Carrier	) Motorola
18000-21000 21000-22000	Government Amateur	400 Mc between 13000-26000 for) Proximity Warning & Collision) Avoidance Systems)	Aero., Inc.
		21635-22835 ISM	EIA
22000-26000	Government	? Mc between 23500-24500 for) Aeronautical Radio navigation)	Aero., Inc.
		21635-22835 ISM	Raytheon
26000-30000	Fixed, Mobile	Common Carrier Fixed	ATT
		Common Carrier	USITA
		26000-27400 Common Carrier	)
		27400-28000 Reserve for new uses	)
		28600-30000 Operational Fixed	) Motorola
		26000-27300 New developments	)
		27300-28600 Operational fixed & inter'l control	) EIA
		28600-30000 Common Carrier Fixed	)

Note 1 Lenkurt proposed three alternatives:

1. 890-940 Common Carrier Fixed Exclusively
2. 890-920 ISM primary shared with Fixed as Secondary
   920-960 Fixed
3. 890-900 ISM primary shared with Fixed as Secondary
   900-940 Common Carrier Fixed
   940-960 Fixed, other than Common Carrier, shared by present allocations

Note 2 New developments such as domestic public aeronautical mobile, transportable Operational fixed, radar for traffic guidance, control, and anti-collision devices

Abbreviations:

Aero. Inc.	Aeronautical Radio, Inc.
AFT	Aeronautical Flight Test Radio Coordinating Council
ATT	American Telephone & Telegraph Co.
AUI	Associated Universities Inc.
EIA	Electronic Industries Association (formerly RETMA)
Lenkurt	Lenkurt Electric Co.
Motorola	Motorola, Inc.
NSF	National Science Foundation
Raytheon	Raytheon Manufacturing Co.
USITA	U.S. Independent Telephone Association

DRAFT

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There is no undue apprehension on the part of the Executive Branch that the FCC will not give proper consideration to all other requirements of law and particularly to that portion of Section 1 of the Communications Act of 1934 regarding the national defense. Nevertheless, the nature of national defense has changed so radically since 1934 that it is considered desirable to set forth some of the matters affecting national defense deserving of consideration in this case.

In considering the use of any portion of the spectrum, several important facts should be kept in mind. The frequencies available for the use of this country by international agreement are a precious resource. But unlike other resources, the utility of frequencies can be destroyed by an unscrupulous enemy from his own territory. And the Communists have already demonstrated their ability to do so on a large scale. Also, scientific progress in frequency usage is so revolutionary that no firm prediction can be made now as to which frequencies will be most usable and vital to the country's defense effort in the future. It follows then that every prospective user of frequencies cannot have absolute assurance that he could make use of them in war. Some risk is involved in capital investment based on expectation of such use.

A proper concept of a possible nuclear attack on this nation and of the actions necessary to survive such attack demands that any resource capable of contributing to survival must be considered a part of national defense. Well planned and effective non-military actions would be as vitally needed as would be military actions.

The FCC has taken such intimate and cooperative part in non-military planning with the Executive Branch to meet such an eventuality that the matters mentioned below are well known and appreciated by those having access to the plans. It is felt, however, that they are not as fully appreciated by others and, for this reason, should be included herein.

The fact that this nation is blessed with a more abundant and efficient national communication system than others can be attributed to the wisdom of the Congress in enacting the Communications Act of 1934, the highly competent actions of the FCC and the Executive Branch in implementing that law, and the effective operations of the common carriers in providing a fully integrated, common service for the entire nation. The continued actions being taken by the carriers in by-passing possible targets, in installing submarine telephone cables crossing the Atlantic, in the Pacific, and to Alaska, and their contributions to SAGE, the DEW line and other projects, add both to non-military and military defense resources. The abundance of these resources is a proper cause for the gratitude of the nation but not for any complacence. In war, there is rarely an excess of resources. The experience of even past wars indicates that only one channel of communication remaining after enemy action may assure ultimate success.

The provision of channels of communication is not the only contribution made by the common carriers to the national defense. The published orders governing priorities to be accorded to public communications and to the restoration of private line service in war can be made effective only by actions of the common carriers. The performance of such a function in the national interest is a vital necessity to survival after attack. Unfortunately the use of these valuable priority procedures could not be applied in the case of unrelated private facilities that do not operate in a common system and are designed to serve isolated or restricted points. If the likely assumptions are made that the combined resources of the common carriers would not be adequate to provide these priority services, and that national resources of manpower, materials, transportation, power, etc., would be limited, it is reasonable to expect that priorities in supplying such resources would be given to the common carriers.

Similarly, none other than the common carriers could adequately make valid estimates of telecommunications damage suffered in an attack and take actions to restore vital portions of the system in time to permit recovery. As you are aware, this ability was amply demonstrated in Operation Alert 1957 when all carriers affected engaged in this exercise.

~~In the hearings~~ Some opinion has been expressed that communication systems designed and constructed to render a specialized ~~or particular~~ service as distinct from a common carrier service would contribute to the national defense. This is considered partly true as regards any system used for public safety or one which facilitates the operation of a public utility, any form of transportation, or of other vital industry. From a national defense planning standpoint, however, the only prudent assumptions possible are that such special systems, if vital, could be permitted to continue to operate for the purposes originally intended and that any additional service obtainable from them might assist on a very limited localized scale, but would not materially contribute to the national system so vital to adequate defense.

The Executive Branch welcomes this opportunity to assist you in the consideration of this vitally important matter. You may rest assured that it will continue as in the past to cooperate fully with you in all communication matters affecting the national interest.

T.A.B. 2/6
September 16, 1957

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CA - 57-86
October 30, 1957

The White House

Washington

THE CABINET

Agenda

9:00 A. M., November 1, 1957

1.	Monthly Report on FY 1958 Expenditures, Personnel and the Debt Limit	(Oral)	The Director, Bureau of the Budget The Acting Secretary of the Treasury
2.	Discussion of FY 1959 Budget and Legislative Programs	(Oral)	The Director, Bureau of the Budget, and
	a) Department of Commerce		The Secretary of Commerce
	Maritime Program Airways Modernization		
	b) Level of Civil Works Expenditures:		
	Reclamation		The Secretary of Interior
	Corps of Engineers Projects		The Secretary of the Army
	Upper Watershed Projects		The Acting Secretary of Agriculture

ARCHIVAL BOND 25% COTTON

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

MINUTES OF CABINET MEETING

November 1, 1957
9:07 A. M. -- 10:40 A. M.

The following were present:

President Eisenhower

Sec. Dulles
Under Sec. Treasury Scribner
  (for Sec. Anderson)
Sec. McElroy
Deputy Atty Gen Rogers
  (for Mr. Brownell)
Deputy PMG Sessions
  (for Mr. Summerfield)
Sec. Seaton
Under Sec. True Morse
  (for Sec. Benson)
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage
  Mr. Merriam
  Mr. Stans
Mr. Gordon Gray
Dr. Saulnier
Gov. Stassen

Gov. Adams
Gen. Persons

Gen. Cutler
Gov. Pyle
Gen. Quesada (in part)
Gen. Bragdon (in part)
Gen. Goodpaster (in part)
Mr. Larson (in part)
Mr. Morgan
Dr. Hauge
Mr. Siciliano
Mr. Martin
Mr. Anderson
Mr. McCabe
Mr. McPhee
Mrs. Wheaton
Mr. Patterson
Mr. Minnich

Sec. of Army Brucker (in part)
Asst. Sec. Army Dewey Short (in part)
Asst. Sec. Agr. Ervin L. Peterson (in part)
Under Sec. Commerce Rothschild (in part)

Monthly Budget Report - Mr. Brundage presented a chart comparing departmental expenditures at present with those of one year ago and described the reasons for the increases evident in most cases.

Mr. Brundage then compared personnel levels, showing how a net reduction of nearly 23,000 personnel had been accomplished, thanks to the Defense reduction of 49,000. The President first ascertained that the figures cited were on a different basis than those accompanying the proposed letters Mr. Brundage recently submitted to the President.

He then expressed dissatisfaction with the apparent feeling that personnel had to be increased every time a small additional task was added to an agency's responsibilities. He stressed the undesirability of pressing Defense to achieve reductions only to have them eaten up by other departments. He urged Cabinet members to put in control of these matters individuals who would be firm, for the increases had to be stopped. He asserted that a good many domestic programs would just have to be deferred even though their desirability is recognized and he personally favors them. Nevertheless, a firm position of deferring them to a more feasible time would be necessary.

Mr. Scribner of Treasury stated that we had reserves adequate only for ten days operation and that even that margin would be reduced further in November and December. To get by, he said, the Departments would have to hold to expenditures as programmed earlier for Treasury guidance.

The President concluded the item by re-emphasizing the need to stop hiring more people.

Commerce Department Programs - Mr. Brundage introduced this item by remarking on the need for developing a budget at the $70 billion level in view of the prospect of reduced Treasury receipts. He noted that this item included a number of projects on which difficult decisions would be required since they were of the type that must be affected to some degree if a $70 billion budget was to be accomplished. He also noted such conflicting arguments as the need for a strong merchant marine in case of atomic attack (currently being studied by ODM and others), the argument for subsidizing to enable American ships to compete with foreign ships having much lower labor costs; and the argument that American competition reduces the potential earnings of foreign countries, thus creating a greater demand for economic assistance.

On Public Roads, Sec. Weeks stated that the Inter-American Highway could be finished in a year with an expenditure of $10 million, or it could be stretched out over two years at a somewhat higher cost. Mr. Dulles thought this a false economy, even temporarily, since completion would increase the incomes of the countries affected and thus ease their internal problems. The President tended to believe the highways should be finished quickly if it could be done within the year, but he did not want to have to submit another request in another year if the full effort were made now.

On Area Development, Sec. Weeks believed the budget could be helped by deciding not to press for this $50 million loan program. He noted that the President was on record in the State of the Union and Budget messages, as also the Republican 1956 Platform, for such a program. The President commented on the need for this type activity in chronically depressed areas. Mr. Weeks thought this a possible item for action later rather than now. Mr. Mitchell urged that the Administration continue to recommend this program particularly in view of rising unemployment. Mr. Weeks suggested the over-riding priority of defense needs.

The President asserted that the 'butter' in the phrase 'butter and guns' referred to things relatively unessential, whereas unemployment required corrective action. He tended to agree with Sec. Mitchell on maintaining the proposal and he directed Sec. Weeks to discuss it further with Dr. Saulnier, Sec. Mitchell and other interested officials.

On the Weather Bureau, Sec. Weeks cited the constructive work being done on hurricane research and warning, and the question now created by the Air Force's inability to continue operating planes for the Bureau. Sec. Weeks thought this program ought to be continued and he cited the cost of moving the equipment out of Air Force planes into Weather Bureau planes. Mr. Brundage noted that the item was still under negotiation. The President directed that this be examined further and that Commerce should make a showing of the human benefits derived from the program rather than merely hoping to carry on research without particular benefits in sight.

On Ship Construction, Sec. Weeks stated that the Administration could spend $400 million a year if it were to do all that the law authorizes. He stated that his Department was about ready to decide to hold the operating subsidies at $120 million for the time being, and to hold the funds for construction to $160 million for Fiscal Year 1959. Mr. Brundage thought the Administration might ask for amendment of the law to restrict the program, but Sec. Weeks felt that sentiment on the Hill ran in the other direction and that Defense would soon report a study finding that this program is a part of the Defense requirement. The President directed Gordon Gray to get together with Defense and take another look at the situation, since the Defense requirement for wartime shipping might be substantially less in the concept of modern war. Sec. Weeks noted that the subject was scheduled soon for NSC discussion.

Mr. Gray stated that Defense had been asked to review its earlier finding of continuing merchant marine roughly at its present level to meet potential wartime requirements.

Mr. Brundage had difficulty in understanding why the taxpayers should underwrite 80% of the salary of rather highly paid seamen who draw five times as much as does a British sailor.

Mr. Rothschild, in response to Mr. Mitchell's query, stated that no change necessarily occurred in types of operations when a subsidized line merged with a non-subsidized line.

On CAA, Sec. Weeks stressed the need for additional facilities to meet the vast increases in instrument landings. He stated that Commerce wanted $232 million for this program, whereas the proposed budget ceiling would allow only half that amount. He thought the lesser amount would delay completion of the present five-year program until 1962, while jet transports will be operating in 1960. He believed the expanded program to be a "must." He hoped that new legislation could be secured to place a larger part of the cost of operation on those using the airways, eventually 88% of the cost. At present, he said, the users pay only a 2¢ gas tax into general funds.

The President believed the program had to be carried through, but he felt that the users must be made to bear a substantial part of the cost. Hence, he directed the new legislation to tie in with the larger budget recommendation for this item.

Gen. Quesada suggested the possibility of financing this in effect by savings to be had from merging certain activities of Defense and CAA, if the implementing program could be carried through rapidly. He asked Secretaries McElroy and Weeks to help this along. The President asked that this aspect be pursued aggressively and that the budget item be kept open pending discussion of further developments with General Quesada.

On the Bureau of Standards, Sec. Weeks pointed to the need for additional funds, especially in view of Dr. Waterman's comments on the need for advances in the science of measurement in connection with the present intensified scientific effort.

On Airport Grants, Sec. Weeks noted that spending was currently far behind the schedule authorized but that he actually preferred to go slowly here while pressing for better navigational aids. In response to the President's query, he pointed out that localities and airlines cover as much as 95% of the costs of airport construction in major cities but only about 50% in less populated areas.

Civil Works Expenditures - Mr. Merriam pointed out that, in regard to the three programs involved (Corps of Engineers, Bureau of Reclamation, and Agriculture's Small Watersheds), expenditures would lag far behind authorization, causing an anticipated increase by 1962 of nearly $1.5 billion compared with $750 million presently. Mr. Merriam suggested three possible approaches: (1) to recommend no additional new starts, thus holding costs for existing projects to about $1 billion in 1959; (2) in addition to the preceding proposal, to refrain from starting projects authorized by Congress for fiscal year 1958, thus minimizing the increase of costs in fiscal 1959, though they would increase sharply in 1960; and (3) in addition to both the preceding proposals, to make no more new contracts on projects already under construction.

Sec. Seaton outlined the program on reclamation. He felt that no new starts should be made in this area even though such a decision involved the Fryingpan-Arkansas project. He believed a good case for deferral could be made, particularly if other departments could find some similar projects to defer. He stated that Interior was ready to drop the Fryingpan-Arkansas project without regard to the projects of other agencies, provided the President approved. He said that Interior was now within the tentative ceiling set by Budget and might be able to reduce its programs still further.

The President believed it logical to defer the project at this time, a time that demanded a completely realistic handling of the budget as a result of increased defense costs. Projects like this could always be accomplished later.

Sec. Mitchell expressed approval of the philosophy of a tight 1959 budget but hoped that adequate attention would be given to the needs of a growing country. Sec. Weeks noted the inconsistency of carrying on irrigation projects in a time of agricultural surpluses. The President cited his efforts to defer irrigation aspects of small-type projects.

Sec. Seaton argued that the crops grown from western irrigated lands did not compete with those items in surplus, especially the six basic crops. The President cited the cotton produced in the Southwest, though smaller in quantity, and the competition of western items, as subsistence, for the basic crops. He stressed, however, the need for conserving water.

The President saw the major question as that of establishing the desirable rate of carrying on water projects generally. He felt that perhaps an annual amount of $1 billion would be in order if Congress would concur. Mr. Brundage replied this was a fine idea. In subsequent discussion it was shown that the $1 billion would suffice for the $700 million annually that Mr. Brucker suggested for Engineer projects, the approximately $200 million for Bureau of Reclamation as recommended by Sec. Seaton, with a balance left for the Small Watersheds Program.

Mr. Brucker brought out that the Corps of Engineers could carry on with new projects already authorized on the basis of $700 million annually, but could not do so if any new starts were included in 1959. He believed certain parts of the Arkansas River project could be passed over.

The President repeated his liking for a fixed annual amount and urged that the Administration try to get from Congress a ceiling on appropriations for these projects and also authority for the Executive Branch to set priorities within the ceiling. He believed a number of projects could be mothballed without suffering so great an economic loss as is often alleged.

Mr. Merriam and Mr. Morse outlined the Small Watersheds projects, a program which is expanding. Mr. Morse told the President that the program could be leveled off at any point, but that the desirable level would allow one hundred projects per year, thus allowing also the most efficient spending for the conduct of a nationwide program. The President advised that Agriculture should for the moment count on leveling off at $50 million annually and try to develop further the voluntary elements of the program.

Mr. Merriam pointed out that the law covering this program originally required local contributions, but that Congress recently amended it to require the Federal Government to pay the entire cost of construction. Sec. Seaton pointed out that a small program of Interior required 50% contributions from the locality, and he thought that ought help Agriculture obtain reinstatement of the original requirements. Mr. Morse noted that Congress removed the requirement since flood control projects were done without local participation. Asst. Sec. Peterson stated that Agriculture had argued in the hearings that the locality should pay part of the cost where any direct benefit is evident.

The President concluded the meeting by noting that the Administration has too often been forced to accept objectionable features because of the need for the major features of any particular bill.

LAM

L. A. Minnich, Jr.

Copies to:
    Mrs. Whitman (2) ✓
    Mr. Rabb
    Mr. Minnich

THE WHITE HOUSE
WASHINGTON

November 18, 1957

GENERAL GOODPASTER

As you suggested, this is submitted for the President's final review prior to redistribution.

Page 2 is the area of the President's interest, and specifically paragraphs b(i) and b(ii).

The wording of paragraph a(iv) has been the subject of some lengthy negotiations between Commerce and Budget but we believe the suggested language there now reflects consensus.

Max Rabb
Max Rabb

President indicated agreement
G

CABINET PAPER—PRIVILEGED

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RA - 57-86

November 7, 1957

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, November 1, 1957:

1. Monthly Report on FY 1958 Expenditures, Personnel and the Debt Limit

ACTION:

a) The President asked that the continuing controls which the Departments and agencies are imposing on the hiring of additional personnel be made stricter. Whenever new functions are directed by the Congress, every effort is to be made by the affected Departments and agencies to assume these functions without a proportionate increase in employment.

b) In view of the figures presented by the Acting Secretary of the Treasury, the President requested that new hiring be sharply curtailed particularly over the next several months.

c) The President reaffirmed his convictions expressed at the Cabinet meeting of October 11 (RA - 57-84, Item 1), especially those set forth in subparagraphs (a)ii and (a)iv.

2. FY 1959 Budget and Legislative Programs

a) The Department of Commerce

ACTION:

i) The Administration will support a figure of $10,000,000 in the FY 1959 budget to complete the surfacing of the last 1000 miles of the Inter-American Highway.

ii) The Secretary of Commerce is to discuss with the Secretary of Labor, the Administrator of the Small Business Administration, the Chairman of the Council of Economic Advisers, the Director of the Bureau of the Budget and others who may be concerned, the position the Administration should take this year with respect to Area Development legislation.

CABINET PAPER

For Action

iii) The Secretary of Commerce is to discuss further with the Secretary of Defense and the Director of the Bureau of the Budget the human benefits involved in maintaining the hurricane research facilities and program.

iv) The Secretary of Defense, the Secretary of Commerce, the Director of the Office of Defense Mobilization, the Director of the Bureau of the Budget and others concerned, after receipt of a JCS report, are to consult with respect to our future defense requirements for maritime replacements and operating subsidies. The Bureau of the Budget recommended that the Administration study suggestions for changes in the basic law itself. Otherwise it was agreed that under the present law the construction and operating subsidies for FY 1959 would be in the magnitude of $160 million and $120 million respectively.

v) A final decision on FY 1959 expenditure proposals for airways modernization was deferred pending consultations which are to be held among the Secretary of Commerce, the Secretary of Defense, the Director of the Bureau of the Budget and Mr. Quesada in his capacity as Special Assistant to the President, with respect to the degree to which there can be joint civilian-military utilization of facilities and equipment now existing or being planned by both Departments and the extent to which this would reduce budgetary needs. The resulting budgetary proposals are in any case to be submitted to the Congress in a manner which is linked with proposals for airway user charges.

vi) Spending proposals of the Bureau of Standards and for airport grants-in-aid were noted and discussed.

b) The Level of Civil Works Expenditures

ACTION:

i) The President emphasized the desirability of establishing an over-all future, annual ceiling -- perhaps expressed in terms of a percentage of gross national product -- on all civil works expenditures (reclamation, Corps of Engineers civil projects and upper watershed projects). Present thinking is that such a ceiling should not, within the next few years, exceed the general magnitude of $1 billion. In this connection the President also emphasized the desirability of having the Secretary of the Interior, the Secretary of Defense and the Secretary of Agriculture draw up priority lists of the civil works projects which have been authorized and appropriated.

ii) No new starts are to be made in FY 1959 on reclamation or Corps of Engineers civil works projects, and FY 1958 starts are to be held at an extremely low level.

iii) The Administration will continue to recommend to the Congress local participation and sharing of the costs involved in civil works projects.

iv) The President agreed that such projects as the Fryingpan-Arkansas project and additional major items from other Departments (as may be determined hereafter) can properly be included in a separate list of desirable but deferrable Federal programs which will be drawn up pursuant to paragraph 1(a)iv of RA - 57-84.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER—PRIVILEGED

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See p. 2

RA - 57-86

November 7, 1957

The White House

Washington

THE CABINET

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1. Monthly Report on FY 1958 Expenditures, Personnel and the Debt Limit

ACTION:

a) The President asked that the continuing controls which the Departments and agencies are imposing on the hiring of additional personnel be made stricter. Whenever new functions are directed by the Congress, every effort is to be made by the affected Departments and agencies to assume these functions without a proportionate increase in employment.

b) In view of the figures presented by the Acting Secretary of the Treasury, the President requested that new hiring be sharply curtailed particularly over the next several months.

c) The President reaffirmed his convictions expressed at the Cabinet meeting of October 11 (RA - 57-84, Item 1), especially those set forth in subparagraphs (a)ii and (a)iv.

2. FY 1959 Budget and Legislative Programs

a) The Department of Commerce

ACTION:

i) The Administration will support a figure of $10,000,000 in the FY 1959 budget to complete the surfacing of the last 1000 miles of the Inter-American Highway.

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CABINET PAPER

For Action

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iv) The Secretary of Defense, the Director of the Office of Defense Mobilization, the Secretary of Commerce, the Director of the Bureau of the Budget and others concerned are to consult with respect to our defense requirement for maritime replacements and operating subsidies.

v) A final decision on FY 1959 expenditure proposals for airways modernization was deferred pending consultations which are to be held among the Secretary of Commerce, the Secretary of Defense, the Director of the Bureau of the Budget and Mr. Quesada in his capacity as Special Assistant to the President, with respect to the degree to which there can be joint civilian-military utilization of facilities and equipment now existing or being planned by both Departments and the extent to which this would reduce budgetary needs. The resulting budgetary proposals are in any case to be submitted to the Congress in a manner which is linked with proposals for airway user charges.

vi) Spending proposals of the Bureau of Standards and for airport grants-in-aid were noted and discussed.

b) The Level of Civil Works Expenditures

(Might be at present in terms of % of GNP)

ACTION:

i) The President emphasized the desirability of establishing an over-all, future, annual ceiling on all civil works expenditures (reclamation, Corps of Engineers civil projects and upper watershed projects). Such a ceiling should not ultimately exceed $1 billion. In this connection, the President also emphasized the desirability of having the Secretary of the Interior, the Secretary of Defense and the Secretary of Agriculture draw up priority lists of the civil works projects which have been authorized and appropriated.

In terms of present money & population

ii) No new starts are to be made in FY 1959 on reclamation or Corps of Engineers civil works projects, and FY 1958 starts are to be levelled off selectively.

iii) The Administration will continue to recommend to the Congress local participation and sharing of the costs involved in civil works projects.

iv) The President agreed that such projects as the Fryingpan-Arkansas project and additional major items from other Departments (as may be determined hereafter) can properly be included in a separate list of desirable but deferrable Federal programs which will be drawn up pursuant to paragraph 1(a)iv of RA - 57-84.

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

October 31, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, November 1, 1957

The following items are scheduled on the agenda for the Cabinet meeting on Friday, November 1:

1. Monthly Report on FY 1958 Expenditures, Personnel and the Debt Limit (Director Brundage, Mr. Scribner)

The Bureau of the Budget is ready with its monthly report on expenditures, expenditure rates and personnel figures -- for the first three months of FY 1958. The presentation of these figures has served to remind the Cabinet constantly of the necessity for economy and to bring out weak spots requiring special attention; it is therefore valuable to have these brief presentations continued periodically.

Mr. Scribner will give you the latest projections on the debt limit picture now and between now and March.

PRESENTATION TIME: 10 minutes

2. Discussion of FY 1959 Budget and Legislative Programs

On September 3rd you instructed each Department to prepare its legislative program and proposals for the State of the Union message for Cabinet review. The responses have been completed to your request; the Bureau of the Budget and the White House staff have been carefully analyzing the proposals which have been put forward.

In order that the resulting major program and budget questions may be brought up systematically for thorough top-level review and for your decision, a series of legislative program discussions will be held before the Cabinet. Mr. Brundage can serve as the general "quarterback" for these discussions -- assisted, as particular questions come up, by the interested Department head.

a) Department of Commerce

The first in this Friday series of program discussions is the Department of Commerce. Director Brundage and Secretary Weeks will bring up the policy and budgetary questions involved in the large increases projected for our Maritime Program and for our program of modernizing the domestic airways.

b) Level of Civil Works Expenditures

The second part of this Friday's series of program discussions involves three Departments (Interior, Army and Agriculture). Mr. Brundage will raise the budgetary questions which have arisen as a result of these Departments' FY 1959 requests for civil works expenditures.

The three Departments involved will make brief presentations in defense of their spending proposals.

Maxwell M. Rabb
Secretary to the Cabinet

REMARKS BEFORE CABINET

ON NOVEMBER 1, 1957

All of the departments and agencies have presented their budget requests and justifications except Defense and Mutual Assistance and we have discussed preliminary figures with both departments.

At the Cabinet meeting on October 18th, we outlined alternative estimates of receipts and expenditures. You may recall that based on current Treasury and Council of Economic Advisers' estimates 1959 receipts are not expected to equal those for fiscal 1958 and it was agreed that we should take as a preliminary expenditure target a figure of $70 billion. In order to achieve this, it was recognized that we would have to include provisions for amendment or repeal of legislation to reduce or eliminate some current programs. This is a problem which faces the whole administration but must be settled individually with each of the agencies during our budget reviews.

As an example of the type of program adjustment which must be made in order to reach a $70 billion goal, we are discussing two important policy questions in the Commerce Department.

Maritime Program. We have met with Secretary Weeks and Governor Adams to try and arrive at a minimum figure for new obligational authority and expenditures for 1959 and subsequent years that must be faced if we are to continue to operate under the Maritime Act of 1936, as amended, without submitting further amendments. Under this law, we will be required to replace 275 out of the 309 ships now serving regular subsidized routes over the next 10 to 15 years. Beyond this, the law authorizes the replacement of all tonnage under American flag in foreign trade of which there are about 580 ships altogether.

The minimum new obligational authority for 1959 under present legislation, it is agreed, would be about $160 million with expenditures of between $40 and $50 million in 1959. The operating subsidies will be $120 million for new obligational authority and expenditures in 1959. The total expenditures under these programs over the replacement period if no changes are made in the laws will be $2 billion for the Federal Government's share of replacement and $1½ billion for accumulated operating subsidies.

A study was requested of ODM to determine the military need for shipping in case of an atomic attack but their report assumed the need for all ships now in active operation under the American flag without consideration of the type of war for which the military services are now preparing. I have asked General Cutler to have a study undertaken as to the shipping tonnage already available to the services and the airlift in being, which the services and commercial airlines are now operating, and for which they are also providing in their budgets for necessary replacements. We will then be able to tell more intelligently what the military need will be for reserve maritime ships and whether that will be at or below the present number of American flag ships in international trade.

I think a new study should also be made as to what the general policy today should be as to size of the American flag fleet and the economic need for subsidies. I understand that about 80 percent of our operating subsidy, which amounts to $120 million a year goes to pay wages to the seamen on American flag ships. This is the amount of their wages in excess of the wages paid by foreign flag ships principally our British allies and other NATO countries to their merchant seamen. This policy, I think, should be reconsidered in the context of our general policy of aid to our allies which will be necessary if they are not able to earn dollars sufficient to sustain their economy and their defense efforts, as well, as part of the NATO community.

It should, of course, be recognized that in recent years there has been a tendency for U. S. flag ships to transfer registry to countries like Liberia and Panama in order to operate at the lower foreign wage rates and avoid certain taxes. Thus there may be some loss of U. S. flag vessels resulting from curtailment of subsidy which would not mean a comparable increase in NATO dollar earnings. These and other factors would be considered in the new study recommended, and the amounts of savings matched against adverse results.

This problem is very similar to the tariff level which is justified in protection of American labor, and business competing with foreign labor. There is a limit beyond which the detriment to our allies must be met by loans or grants if they are to resist the Communist danger. The President has very well stated the problem when he says we can't have guns and butter during the next few years.

The Secretary of Commerce will outline the problem in more detail.

Airways Modernization. In the past two years, the Government has accelerated its efforts to modernize and expand the capacity of the air traffic control system. In early 1956, Commerce submitted to Congress a 5-year plan to modernize the airways at a cost of $246 million. Later in 1956, following announcements of large orders for jet aircraft and the Grand Canyon accident, this program was telescoped into three years and a supplemental was sent to Congress for 1957.

In connection with the 1958 budget, Commerce developed a revised 6-year plan costing $810 million. The 1958 budget included $150 million, compared to the $75 million appropriated in 1957. Commerce is now proposing to increase the level of this program in 1959 to $232 million, as part of a further revised program estimated to cost $1,250,000,000 through fiscal 1963.

The cost of operating and maintaining this expanding system has also accelerated tremendously. From an appropriation of $136 million in 1957 and $181 million in 1958, Commerce estimates the operating costs will rise to $252 million in 1959 and to in excess of $450 million in 1962. Employment by Civil Aeronautics Administration would increase from about 15,000 in 1956 to approximately 42,000 in 1962.

Finally, the Curtis Committee report recommended the study by an Airways Modernization Board of the long term needs for the airways system. The financial impact of the Board's studies is unknown at this time.

NOTES FOR CABINET PRESENTATION

November 1, 1957

1. Monthly Report on Fiscal '58 Expenditures.

We have not as yet received the agencies' financial plans for this year, so in presenting our report for the quarter ending September 30 we are showing comparisons with the previous year, fiscal '57. The total expenditures for the quarter of $17.9 billion are not far different than we had forecast in the Midyear Review and in the estimate of expenditures upon which Secretary Anderson was using in connection with his debt management operations.

The first increase is in Agriculture for the Soil Bank, which was in full operation during this quarter, although in a lesser scale than originally anticipated, but the program was just getting under way last year.

The decrease in Commerce is due entirely to the fact that the highway program was not transferred to a trust fund until after September 30.

The increase in Military Defense was forecast by the increases in July and August, but the Secretary assures me that he has the matter now in hand and that the total for the first six months will not be over our budget estimate by more than $400 million.

The Corps of Engineers is up $36 million due to the higher level of operations with all the new starts during the past three years. This will be discussed more fully in a few minutes.

Health, Education, and Welfare is up $63 million in public assistance grants due to the higher percentage of Federal contributions approved by

Congress last year. Waste treatment grants which were also approved last year are up, and the programs for the National Institute of Health are larger.

All of the bureaus of Interior show some increases, although the principal one is Reclamation - up $12 million because of the new construction started last spring.

Post Office is up $31 million, or 25%, due presumably to the loss of Deputy Postmaster General Stans.

State Department operating expenditures have risen in various categories.

Treasury is up because interest has increased $160 million, partly offset by decreases in certified claims, and the requirements of the International Finance Corporation.

The Atomic Energy Commission shows increases in raw material purchases, weapons production, and reactor development.

Mutual security is down $12 million in military assistance and $29 million in economic assistance. [illegible]

Veterans Administration shows increased compensation payments under the recent Act and some increased direct loans for veterans' housing.

Housing is up $129 million largely because of increased FNMA purchases in the secondary market, which will be later financed by debenture issues.

The increase in Defense Production expansion is largely aluminum purchases under Korean contracts.

The large decrease in other agencies is entirely the payment to the Retirement Fund by the Civil Service Commission which was made in the first quarter last year, $525 million, which is now being distributed among agencies.

Increases were actually shown by Export-Import Bank - $45 million, TVA - $15 million, and USIA - $10 million.

* * * * * * * * * *

Civilian personnel employment shows a net decrease for the 12 months ending September 30, 1957 - due to the reduction in military civilian personnel by 49,000, which is certainly living up to their promises in personnel reductions, and increases in most of the other agencies - largely the result of step-ups in the programs or volume of business, as in the case of the Post Office.

State	Plus 1000	Unsatisfactory
Treasury		Satisfactory
Defense		Satisfactory
Justice	Plus 687	Unsatisfactory
Post Office		Generally satisfactory
Interior	Plus 2253	Unsatisfactory
Agriculture	485 (some seasonal)	Not in keeping with goal
Commerce	Plus 1010	Not in keeping with goal
Labor		Satisfactory
HEW	Plus 321	Unsatisfactory

- - - - - - - - - - - - -

VA		Satisfactory
HHFA		Satisfactory
ICA	Plus 687	Unsatisfactory
AEC	Plus 305	Unsatisfactory
USIA		Satisfactory
GSA		Satisfactory
Civil Service Commission		Satisfactory

THE WHITE HOUSE
WASHINGTON

January 11, 1958

MEMORANDUM TO: Mr. Max Rabb
The White House

Attached you will find a reproduced copy of a completed Agreement between the Department of Defense and the Department of Commerce relating to the joint use of certain facilities. This matter was discussed at the Cabinet meeting of Friday, November 1, 1957. I sincerely hope that this Agreement will result in increased efficiency and decreased cost.

There now rests upon me a very difficult task of bringing about wise and proper integration. I have every reason to hope for success as the Department of Commerce and the Department of Defense have demonstrated a willingness to cooperate with me.

I am taking the initiative to have the Department of Defense and the Department of Commerce prepare a joint public announcement.

E. R. Quesada
Special Assistant to the President

Attachment

THE WHITE HOUSE
WASHINGTON

AGREEMENT RELATING TO JOINT USE OF CERTAIN FACILITIES BY THE DEPARTMENT OF COMMERCE AND THE DEPARTMENT OF DEFENSE

It is becoming increasingly clear that there are certain basic similarities in the processes essential to an effective semi-automatic air traffic control system and a semi-automatic air defense system. Each requires (1) surveillance, (2) data processing, (3) situation display, (4) communications (ground to ground and ground to air), (5) identification, (6) operating personnel, and (7) human decision.

It is equally clear, however, that effective air traffic control and air defense systems must each normally maintain their separate identities, individual functional integrity and separate management. The management of air traffic by the Department of Commerce, an appropriate function of that Department, except for military necessities, is essential to commercial and private aviation and the military establishment.

It is also clear that the facilities essential to air traffic control and air defense are comprehensive, highly complex and costly -- facilities that are costly to develop, costly to produce, and costly to operate. The facilities and equipment essential to each function are, in some instances, complementary, in others duplicating, while still in others, unique to each.

The objective of this agreement is avoidance of duplicating facilities, equipment, and overlapping functions; increased capability of each function; and, an air traffic control system functionally compatible with the nation's defense facilities in peace and war.

It is mutually agreed, to this end, by the Department of Commerce and the Department of Defense that each will make its respective surveillance, data processing, situation display, communications, and identification processes and facilities mutually and fully available for the early attainment of the objective above.

It is also mutually agreed that the Airways Modernization Board will initiate and conduct a vigorous program of systems analysis, common equipment design and experimentation to define more precisely where and how this free exchange, each to the other, can be practically applied.

Sinclair Weeks
Department of Commerce

Donald A. Quarles
Department of Defense

January 9, 1958

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TENTATIVE CABINET AGENDA SCHEDULE

(Planned as of October 28)

November 1

1. Monthly Report on FY '58 Expenditures, Personnel and the Debt Limit	Director Brundage Secretary Anderson
2. Discussion of Principal FY '59 Budget and Legislative Program Questions:	Director Brundage, and
a) Department of Commerce, including	Secretary Weeks
Maritime Program	
Airways Modernization	General Quesada
* b) Scope and Pace of Civil Works, including	
Reclamation	Secretary Seaton
Corps of Engineers Projects	Secretary Brucker
Upper Watershed Projects	Acting Secretary Morse
* c) Department of the Interior	Secretary Seaton

November 5

1. Report of the Special Steering Committee on Civilian Compensation and Wage Systems Within the Executive Branch	Under Secretary O'Connell
2. The Cordiner Committee Recommendations for Military Pay	Secretary McElroy Assistant Secretary Francis
3. Postal and Classified Salary Rates	Mr. Siciliano Director Brundage
4. Territorial Allowances	Director Brundage Mr. Siciliano

November 8

1. Legislative Proposals for the Career Executive Program	Dr. Flemming Mr. Kestnbaum
* 2. Department of Labor's Legislative Program	Secretary Mitchell
3. Public Works Planning - Proposals for Stand-By Legislation	General Bragdon
4. Discussion of Principal Budget and Legislative Program Questions:	Director Brundage, and
Department of Health, Education and Welfare	Secretary Folsom

November 15

1. Discussion of Principal FY '59 Budget and Legislative Program Questions:	Director Brundage, and
* a) Atomic Energy Commission	Chairman Strauss
b) Department of Agriculture	Secretary Benson
c) Housing and Home Finance Agency	Administrator Cole

In December:

Tax Policy

Final FY '59 Budget Wrap-Up

State of the Union Message

* * * * * *

* - Subject to the completion of appropriate staff work

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CA - 57-87

October 31, 1957

The White House

Washington

THE CABINET

Agenda

9:00 AM, Tuesday, November 5, 1957

1. Military Pay Proposals	(Oral)	The Secretary of Defense The Assistant Secretary of Defense for Manpower Personnel and Reserves
2. Report of the Special Steering Committee on Civilian Compensation and Wage Systems Within the Executive Branch	(CP - 57-61/3)	The Under Secretary of Labor
3. Classified and Postal Salary Rates	(Oral)	The Special Assistant to the President for Personnel Management The Postmaster General The Chairman, Civil Service Commission The Director, Bureau of the Budget

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

MINUTES OF CABINET MEETING

November 5, 1957
9:00 A. M. -- 10:45 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Anderson
Sec. McElroy
Deputy Atty Gen Rogers
  (for Mr. Brownell)
PMG Summerfield
Sec. Seaton
Asst. Sec. Peterson
  (for Sec. Benson)
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage
  and Mr. Maurice Stans
Mr. Gordon Gray
Dr. Saulnier
Gov. Stassen

David W. Kendall, Asst. Sec.
  of Treasury
Wm. H. Francis, Jr., Asst. Sec.
  of Defense (in part)
Edson O. Sessions, Deputy PMG
James T. O'Connell, Under Sec. of
  Labor
Leo A. Hoegh, FCDA
Harris Ellsworth, CSC
John W. Macy, Jr., CSC (in part)

Gov. Adams
Gen. Persons
Mr. Rabb

Gov. Pyle (in part)
Mr. Morgan (in part)
Gen. Goodpaster
Mr. Martin
Mr. Harlow
Mr. Anderson
Mr. Siciliano
Mr. Winslow
Mr. McPhee
Mr. McCabe
Mrs. Wheaton
Mr. Patterson
Mr. Minnich

(The President joined the meeting a few minutes late and was quickly briefed by Mr. McElroy on points he had missed.)

Military Pay (CI 57-51) - Mr. McElroy sketched the work of the Cordiner Committee and cautioned against repetition of the estimate of $5 billion savings to be had through the actions recommended. He believed that substantial savings would occur but at a lower level and that the greatest benefit would come through increased efficiency.

Mr. Francis presented in detail the findings and recommendations of the Cordiner Committee. He emphasized the problem of retaining those in the area of three - twelve years of service, of attracting highly capable young officers, and of securing technicians and mechanics who are becoming an ever larger proportion of all men enlisted (34% in 1945, anticipated 65% in 1965.)

Mr. Francis listed as major features of the report the proposals for increasing the number of grades, instituting a step-in-grade system, establishing new pay scales, instituting proficiency pay (already partially implemented), reserve officer contracts featuring special severance pay short of retirement, and particularly the conversion plan extending implementation of the new pay scales over several years while the most proficient are being selected.

Mr. Francis said that the additional cost for FY 1959 of $450 million would be included in the budget. Since the proposal does not provide pay increases for 61% of those on active duty, Congress may expand the proposal and increase the cost.

In regard to the specific increases proposed, Mr. McElroy emphasized the importance of retaining the top salary as proposed because it would provide the long range career incentive. The President was doubtful of the value of this. He also cautioned Mr. McElroy that Congress would probably not give so large an increase to general officers without a corresponding percentage increase for lower ranks. Mr. Brundage noted that the proposed general officer salary would exceed Cabinet and Congressional salaries at present. The President ascertained that the maximum total for base pay and allowances would reach to approximately $30,000.

Mr. Francis then compared military salaries to the higher salaries for comparable civilian functions. Several questions on details were answered for Sec. Mitchell.

The President stated that the Administration would have to study this carefully but that he had a personal feeling that Defense would inevitably be greatly disappointed because of evidence of Congressional thinking already at hand. He wanted a careful review made of this with the Bureau of the Budget. He added that he did not believe Congress would approve $30,000 as the salary for Cabinet officers. Mr. Dulles interjected that it might not be necessary to raise Cabinet salaries, since for Cabinet officers money is not the essential thing. The President repeated his desire to have this given a good long look. He recalled that on the last occasion that it had been presented to him, Sec. Wilson had pretty well flattened out the curve. Mr. McElroy said he was now ready to go ahead with consultations focused on political feasibility. The President thought Mr. McElroy could talk to the Congressional people, that the Military Committees would probably concur, but that the Appropriations Committees would be difficult. He suggested Gen. Persons might help in the effort.

The Vice President commented that the atmosphere was now more favorable for an increase than previously.

Civilian Pay (CP 57-61/3) - Mr. O'Connell summarized the four-volume report of the Steering Committee of the Interdepartmental Committee on Salaries. It had as its purpose, he recalled, to improve the procedure of establishing pay levels and to develop a sound relationship among various pay systems (classified, postal, Wage Board, etc.)

Mr. O'Connell asserted that timely, adequate governmental response to changes in private pay levels is presently impossible. He showed with a chart the discrepancies between the Classification Act and non-Government salaries, and noted the widening difference with each higher Classification Act level. He stated that fringe benefits no longer compensated for the discrepancy. He cited such other problems as insufficient differentials within the pay system, unequal pay for similar work resulting from lack of coordination among the several systems, and particularly the rigidity in the statutory pay system.

Mr. O'Connell set forth the general principle the Administration should seek to establish, including initiating and maintaining a modern coordinated total pay program to allow improved pay determination, pay structures and job evaluation. Expanding on this, Mr. O'Connell recommended a national scale on the basis of averages of salaries paid in fifty major cities, to be adjusted periodically as non-government rates changed, coordinated but not identical schedules for all systems, adequate step increases and differentials between grades, increased emphasis on merit rather than longevity, and particularly a simplified system of "bench mark" jobs for evaluating all other jobs.

Regarding the Wage Board system, the Committee saw a need for somewhat improved coordination so as to provide comparable pay for comparable work in any locality.

Mr. O'Connell set forth the Committee's specific recommendations for securing (1) authority for the Chief Executive to adjust pay scales subject to reasonable Congressional controls (not applicable to Executive pay officials); (2) establishing a "Civilian Compensation Agency" as a separate entity or within an existing agency to assist the President in this field; (3) establishing a Civilian Advisory Committee for delegating to departments and agencies maximum authority to make determinations within the coordinated framework; (4) to urge on behalf of the Committee that immediate action be initiated to draft legislation to accomplish these four items, and also that any proposals necessary on pay prior to accomplishment of the above should be consistent with the principles set forth.

The President directed that this subject be held in strict confidence for the time being.

The President questioned the absence of pay differentials by localities, comparing the cost of living in New Jersey with that in Kansas, and citing practices where the differential is regarded as a good principle. Mr. O'Connell said the Committee believed it to be a good principle, that they would recommend its application outside the United States, but that it was not generally practicable within the United States.

Sec. Dulles expressed his doubt about the desirability of including the Foreign Service in the proposed legislation since it operates on the basis of evaluation of the man rather than of the job. Since the Foreign Service system is presently solidly based in legislation, he hoped the recommended program would not in any way disturb that basis. The President saw no need for disturbing it.

Responding to Mr. Mitchell, Mr. O'Connell made more clear the proposal for the Administration to ask Congress to give to the Executive authority for determining relationships within all pay systems after Congressional approval of levels for "central" jobs in any one system, and perhaps after Congressional establishment of a floor and ceiling. Mr. Stassen asked if the authority could be obtained via Reorganization Act procedures. Mr. O'Connell said that such matters lay outside the province of the Steering Committee but informally they thought that might be the best procedure.

Mr. Summerfield believed the value of the permanency of Federal employment was frequently underestimated, as also that of fringe benefits. He thought a better recruitment program should be developed. He doubted the popularity of creating another new agency and believed if one had to be established it should be located within the Executive Office or the Civil Service Commission. He particularly hoped that nothing would be done to encourage formal negotiations between employee organizations and Government officials.

The President then called on Mr. Siciliano for his part of the presentation. Mr. Siciliano offered very tentatively and for discussion only a proposal for realignment of the Classification Act Pay Schedule which would be consistent with the Cordiner recommendations, would provide at least a 6% increase for every one, and would relieve compression by more substantial raises for higher grades. He then outlined a separate proposal for Executive pay that would establish Cabinet salaries at $35,000 and range down to $22,500 for Assistant Secretaries.

The President asked about the income tax rate on salaries at this level. Mr. Dulles noted that the net cost of the proposal to the Government would be considerably less because of income tax.

Mr. Siciliano then noted the need for effective action to recruit scientists. Mr. Summerfield commented on pay bills sponsored by Mr. Rees and others. He reported that Mr. Rees felt the Administration should stand on a 6% raise which Congress would increase to 7 1/2%. He added that each 1% cost the Post Office about $120 million. He felt that the proposed 11% increase at the GS-5 level would put the Post Office in a very difficult position. He suggested that a different classification be established for those in Grade 5 who had to be helped considerably. The President replied by noting the postal pay readjustment accomplished several years ago, a necessary action not yet accomplished in the Classification Act structure. The President stated that the best solution would be to secure the broad Executive authority.

Mr. Brundage felt that the steps within grade were somewhat "rich" but would be justifiable if awarded for merit or for meeting locality differentials. He was concerned somewhat with the impact of a Federal pay raise on non-government industries. The President said a 6% raise would have no impact, particularly since the Government has not recently raised salaries.

The President believed the real question to be one of whether Federal salaries were adjusted decently or whether the Administration would get stuck with more inequities. He thought that some of these pressing items could be packaged in such a way as to encourage approval.

Mr. Siciliano noted that his tentative interim proposals were consistent with the principle of the O'Connell study. Final comment came from Mr. Brundage, who felt that if the Administration had to advance proposals these would be reasonable.

LAM

L. A. Minnich, Jr.

Copies to:
  Mrs. Whitman (2) ✓
  Mr. Rabb
  Mr. Minnich

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November 5, 1957

D2

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Tuesday, November 5, 1957:

1. Military Pay Proposals

ACTION:

The Secretary of Defense is to consult with the Director of the Bureau of the Budget, the Deputy Assistant to the President and the Special Assistant to the President for Personnel Management regarding the final formulation of the substance of these proposals and regarding the manner of presenting the ultimately approved proposals to the Congress, including arrangements for early discussions with key legislative leaders.

2. Report of the Special Steering Committee on Civilian Compensation and Wage Systems Within the Executive Branch

ACTION:

a) The President reacted favorably toward the general approach presented by Mr. O'Connell as reflecting the proper basic principles to underly a sound wage system policy. The President suggested that at the proper time the Reorganization Plan technique be considered as a good method for assuring reasonable Congressional control.

b) The Director of the Bureau of the Budget, and the Special Assistant for Personnel Management, in consultation with the interested agencies and the White House Staff, will study the implementation of the general approach recommended by the Steering Committee.

c) It was agreed that when the proposals presented are implemented, the final plan should be sufficiently flexible to permit the system of operation, administration and pay of the Foreign Service to continue to be based, as heretofore, on statute only

3. Classified and Postal Salary Rates

ACTION:

a) Following Mr. Siciliano's presentation, the President agreed that the Administration is thoroughly justified in proposing a federal pay-raise this year, taking care however that it is one which is fully consistent with the general approach

CABINET PAPER

For Action

recommended under Item 2 above, and which avoids perpetuating the existing inequities in the Classification Act salary structure.

b) The precise figures to be presented, the levels to be included and the mode of presenting the ultimately approved proposals are to be discussed further by the President's Special Assistant for Personnel Management, the Postmaster General, the Chairman of the Civil Service Commission, the Director of the Bureau of the Budget and White House Staff officers.

c) The President directed that special care be taken to maintain the strictest confidence concerning the several matters discussed at this meeting.

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

November 4, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Tuesday, November 5, 1957

The following items are scheduled on the agenda for the Cabinet meeting tomorrow morning:

1. Military Pay Proposals (Secretary McElroy, Assistant Secretary Francis)

Last May the Cordiner Committee submitted its two-volume report to the Secretary of Defense. Volume 1 of this report dealt with proposals for manpower management and compensation of military personnel.

The Department of Defense, together with the Bureau of the Budget and Mr. Siciliano, have studied this report and have now prepared proposals to implement the Cordiner Committee recommendations as far as military pay is concerned. These proposals constitute in effect acceptance of the Cordiner recommendations, modified only in terms of timing and phasing.

PRESENTATION TIME: 12 minutes

2. Report of the Special Steering Committee on Civilian Compensation and Wage Systems Within the Executive Branch (Under Secretary O'Connell)

Pursuant to your decision last Spring (incorporated in an approved Cabinet paper), Under Secretary O'Connell set up a Special Steering Committee to study civilian compensation and pay systems. The purpose of this study was to investigate not salary rates themselves but rather what methods could be employed to bring about greater consistency among the staggering variety of pay systems now in effect within the Executive Branch (the chief result of this inconsistency has been that employees whose salary rates are determined by statute tend to suffer compared with employees under the "Wage Board" system, whose salaries move upward nearly automatically with the cost-of-living.)

Mr. O'Connell and his Committee have completed their report and have prepared recommendations on wage system administration for presentation to the Cabinet and to you.

PRESENTATION TIME: 20 minutes

3. Classified and Postal Salary Rates (Mr. Siciliano,
Mr. Summerfield,
Mr. Ellsworth,
Mr. Brundage)

Following items 1 and 2, Mr. Siciliano and the others cited will present recommendations for an Administration civilian pay proposal. It is felt that some pay legislation will be inevitable this year and that it will be much better for the Administration to come forward with its own proposal than to try to amend or resist proposals from elsewhere.

The pay recommendations which Mr. Siciliano will make will be consistent with the general recommendations of the O'Connell Committee, and will go far toward putting the classified pay structure back into proper balance.

PRESENTATION TIME: 20 minutes

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON

NOV 7 1957

MEMORANDUM FOR Mr. Maxwell M. Rabb
Secretary to the Cabinet

Attached are two copies of the briefing presented by Mr. Francis at the 5 November 1957 meeting of the Cabinet on Department of Defense military pay proposals. The charts are being reproduced and will be forwarded separately as soon as they are ready.

R. Eugene Livesay
R. Eugene Livesay
Special Assistant

Attachment

DEPARTMENT OF DEFENSE

MILITARY PAY PROPOSALS

Chart 1 (Cover) Mr. President and Gentlemen:

Before I outline the Department of Defense Military Pay Proposal, I would like to touch on our manpower problem and on the reasons why a change in the compensation system is so urgently required.

The Armed Forces are not under present conditions able to attract and retain the kinds of people they need for the periods of service Chart 2 required to develop a combat ready force. This is our problem. As we continue to develop scientifically advanced weapons, we must place equal emphasis on the development of the trained and experienced manpower required to maintain and operate these modern weapon systems.

The currently excessive turnover of our key personnel - officer Chart 3 and enlisted men - is seriously detracting from our combat capability. The development of highly skilled electronic maintenance men and operators, fire control specialists, aircraft mechanics and missile men requires from ten to fifteen years - for their formal training must be supplemented with experience on the job. Yet, in these skills, our reenlistment rates are lowest. When these men leave the Service, they not only take with them thousands of dollars worth of training, but they leave the Armed Forces with the frustrating task of starting all over again with raw recruits.

Among officers, the same problem exists. The lack of retention has created an experience gap in the 3 to 12 year service bracket that is becoming increasingly acute as our World War II group grows older. In addition, there is serious doubt that we are currently able to attract the quality into the base of the officer career ladder that will be required to produce the top leadership of the future.

Lack of qualified manpower creates inoperative equipment and results in an unacceptably low state of combat readiness. It is folly to procure equipment we cannot maintain or operate - yet this is what we have done and what we are doing.

Chart 4 The need for greater retention will increase in proportion to the increases in skill requirements in the Services. This chart indicates technicians and mechanics as a percentage of enlisted jobs for the recent past and an estimate of this percentage for the immediate future.

The Cordiner Committee was organized to study this overall problem. We are all familiar with the report of this Committee which was submitted on the 8th of May, this year. This report has been thoroughly studied by the Military Services and by the Office of the Secretary of Defense. As a result of this study, there is full and unanimous support for the military pay proposals of the Cordiner Committee. It is the recommendation of the Secretary of Defense that appropriate legislation carrying out these proposals be sponsored early in the next session of the Congress.

SUMMARY OF PAY RECOMMENDATIONS

At this point, I would like to summarize the major features of the Cordiner Committee recommendations.

Chart 5 First, there is an increase in the number of grades. Two new enlisted grades have been added to the existing seven in order to broaden the pricing base and provide a grade structure that will act as a career incentive for personnel especially those with critical skills in the lower grades. In the case of officers, 3 and 4 star ranks have been recognized as separate pay grades.

Drop Second, a step-in-grade system has been developed which eliminates pay inversions and bases pay primarily on achievement yet provides recognition for experience in grade. This replaces the old longevity system based on total years' service which is responsible for the majority of today's pay inequities.

For example, a promising young Army Captain promoted to Major ahead of his contemporaries is today paid less than other Captains who are not promoted. He gets additional pay based on total years' service without regard to when he made Major. Under the step-in-grade system, this same man's Major's pay would exceed that of all Captains and he would become eligible for further increases as he accrued time and experience in grade.

Drop Third, new pay scales have been developed which relate pay to responsibility. The pay of higher grades has been increased to significant amounts to provide a career attraction and a promotion incentive to both young officers and young enlisted men. Although compression has been greatly relieved, the amounts of pay in each grade have been kept reasonably comparable with that provided in other governmental occupations.

Drop Fourth, a system of proficiency pay has been implemented which is a direct and selective monetary inducement intended to improve enlisted personnel retention and job motivation. Proficiency pay is designed to give the Services an additional management tool in meeting competition for critical skills and in developing and maintaining a balanced workforce. Although this has been instituted under current pay scales, this cannot be fully effective without expanded pay grades and a step-in-grade system which provides significant monetary reward for achievement.

Drop — And fifth, provision of a contract system for Reserve officers is included. This is designed to attract them for periods of active duty after obligated service but short of retirement. Completion of contract will pay two months pay for each year under contract up to a maximum of two years pay and is designed to provide a degree of security for the reserve officer required on extended active duty.

Chart 6 — This chart shows a comparison of present and proposed enlisted basic pay. The present ranges of pay are shown in light green; the proposed ranges in dark green. Dollar amounts are indicated on the left and enlisted pay grades are shown across the bottom. What appear to be pay reductions in the lower ranks will not actually result in a loss of pay since personnel will be protected by a saved pay provision until proposed amounts are greater than present pay. Actual pay tables are shown at Tabs C and D of the report which has been distributed.

Chart 7 — Similarly, this chart shows the comparison of present and proposed officer basic pay with present pay in green and proposed pay in red. Officer pay tables are at Tabs E and F of the report.

The problem of converting from our present system of pay to the new system has received special attention. Due to the fundamental changes involved, it has been necessary to study the impact of the new proposal on personnel now on active duty and personnel now retired, as well as personnel who will enter the Services in the future. In this connection, I have two recommendations with respect to phasing and timing which I will cover in more detail.

Chart 8

PAY OF CURRENTLY RETIRED

The first recommendation pertains to the pay of currently retired personnel. It is recommended that personnel currently retired be continued to be paid under the existing system rather than the new system for the following reasons:

. Currently retired have not and will not be subjected to the management program of the Cordiner Committee - this program is an integral part of higher pay for greater contribution.

. The new pay scales are designed to retain quality personnel on active duty and have little application to personnel retired prior to enactment of the new system.

It should be again emphasized that the Cordiner proposal is not a pay raise, but a basic change in system.

Chart 9

CONVERSION SYSTEM

The ~~third~~ second recommendation pertains to a plan of converting from one system to the other over a period of several years. This is recommended:

. In order to provide time to implement the management proposals so that personnel receiving large increases may be carefully screened and selected; and

. To reduce initial costs and delay full costs until savings materialize.

The recommended conversion plan applies only to officers and warrant officers as enlisted personnel automatically phase into the new system with the establishment of two new pay grades. Enlisted management is assured by selective application of proficiency advances, reenlistment controls, and retraining - all in effect now.

The conversion plan provides a fixed maximum dollar increase in
monthly basic pay by grade that may be granted in any one year. This
Chart 10 amount is roughly equivalent to one-fourth of the maximum increase
under the Cordiner scale. The conversion will therefore be phased
over four years. The fixed amount by grade is shown here.

Drop For example, the maximum raise in pay that an O-7, Brigadier
General, may receive in the first year under the conversion scale is
$125 - an additional $125 the second year - and so on until the full
scale is reached.

Chart 11 I would like to take the time to demonstrate this in more detail
in the case of an O-6, Colonel. This chart shows that some O-6s will
be paid $632 under the current system - others $811 - and varying
amounts in between depending on their total length of service.
Drop Some of those at the lower end of the scale under the full Cordiner
rates would be paid $950 - others would be paid $1065 - depending on
their time in grade. Similarly, those at the opposite end would
enter at any of the three levels. The monthly increases would vary
from extremes of $139 to $433. Under the recommended conversion plan,
Lift-Drop all would receive an increase of $100 per month the first year as
shown here. An additional $100 per month would be granted the second
year - and so on until they reached the proper amount under the new
rates.

Chart 12

COSTS

The added cost of this entire package for Fiscal Year 1959 will be an estimated 450 million dollars. This amount will be included in

Drop

the 1959 Budget estimates of the Services; however these additional costs will be partially offset by the savings which will accrue as the result of qualified manpower retention. In future years, these savings will more than offset the added costs.

Inasmuch as the Cordiner pay proposals address themselves to a change in pay structure, they do not provide pay increases for 61% of the personnel on active duty. It is anticipated that Congress will insist that all government personnel receive some cost-of-living increase. Under such conditions, the Department of Defense would desire to apply such an increase to the present pay scales for both active and retired personnel. Active force personnel would then phase into the pay schedules established by the Cordiner Committee. The added cost of a 6% cost-of-living provision would be $150 million for Fiscal Year 1959.

It is believed that the pay package being recommended, together with the administrative controls to assure quality which are already in operation and planned, offer the only long-range solution to our manpower problems. It should provide the incentives needed to attract and retain the kinds of people required by the Services. We are prepared to discuss this proposal in more detail if desired.

OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON

DEC 5 1957

MEMORANDUM FOR Mr. Maxwell M. Rabb
Secretary to the Cabinet

Reference my 7 November 1957 memorandum to which were attached two copies of the briefing on DoD military pay proposals presented by Mr. Francis at the 5 November 1957 meeting of the Cabinet, attached is one set of the charts which go with the briefing..

R. Eugene Livesay

R. Eugene Livesay
Special Assistant

Attachment -
1 Set of Charts

DEPARTMENT
OF
DEFENSE

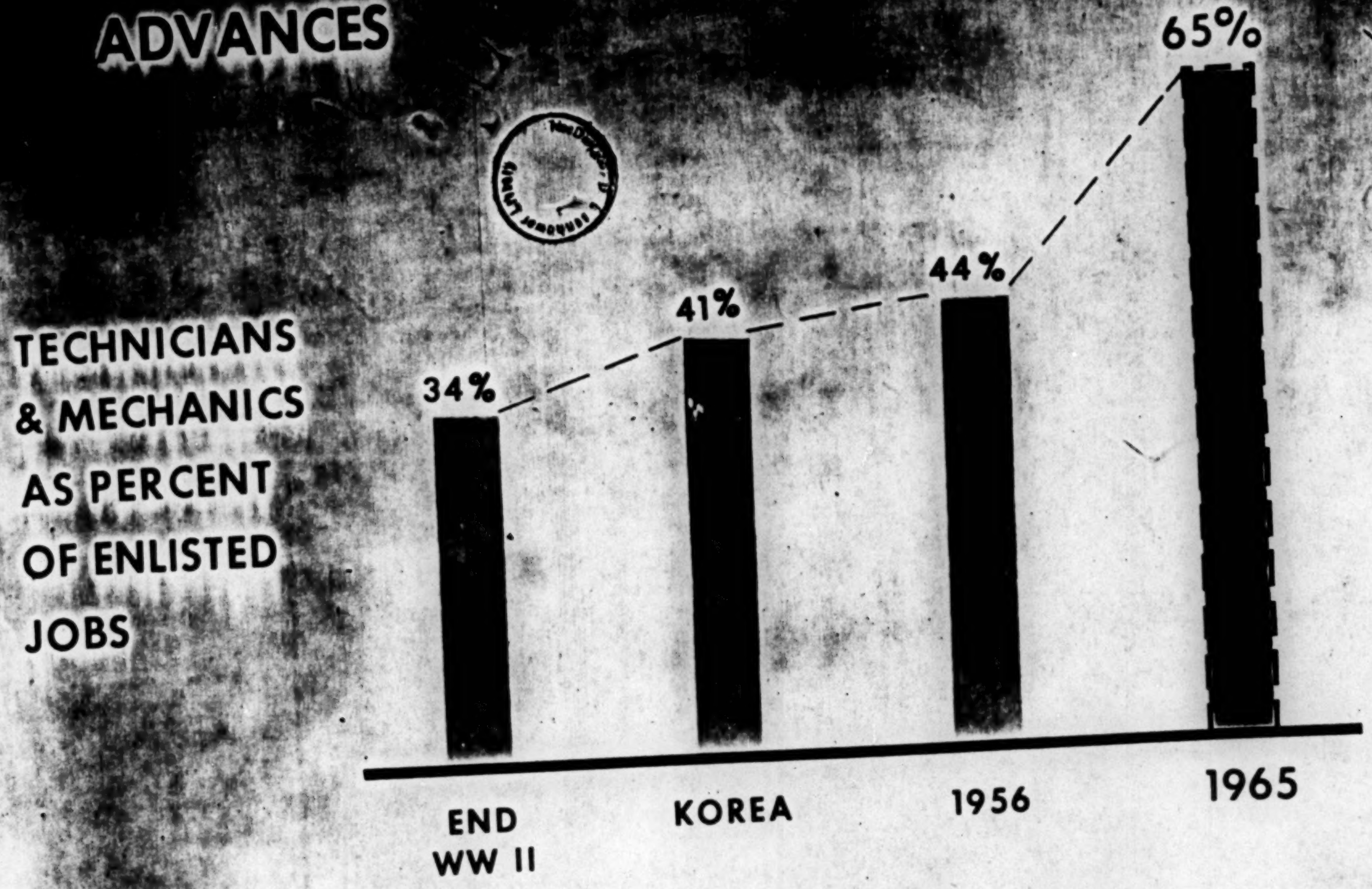
MILITARY PAY PROPOSAL

The Problem

TO MAINTAIN A QUALITY
READY FORCE IN TIMES OF
ADVANCING TECHNOLOGY . . TO
INSURE NATIONAL SURVIVAL
IN THE ATOMIC AGE

QUALITY PERSONNEL
ARE REQUIRED TO
MAN AN EFFECTIVE,
COMBAT CAPABLE
STRIKING FORCE

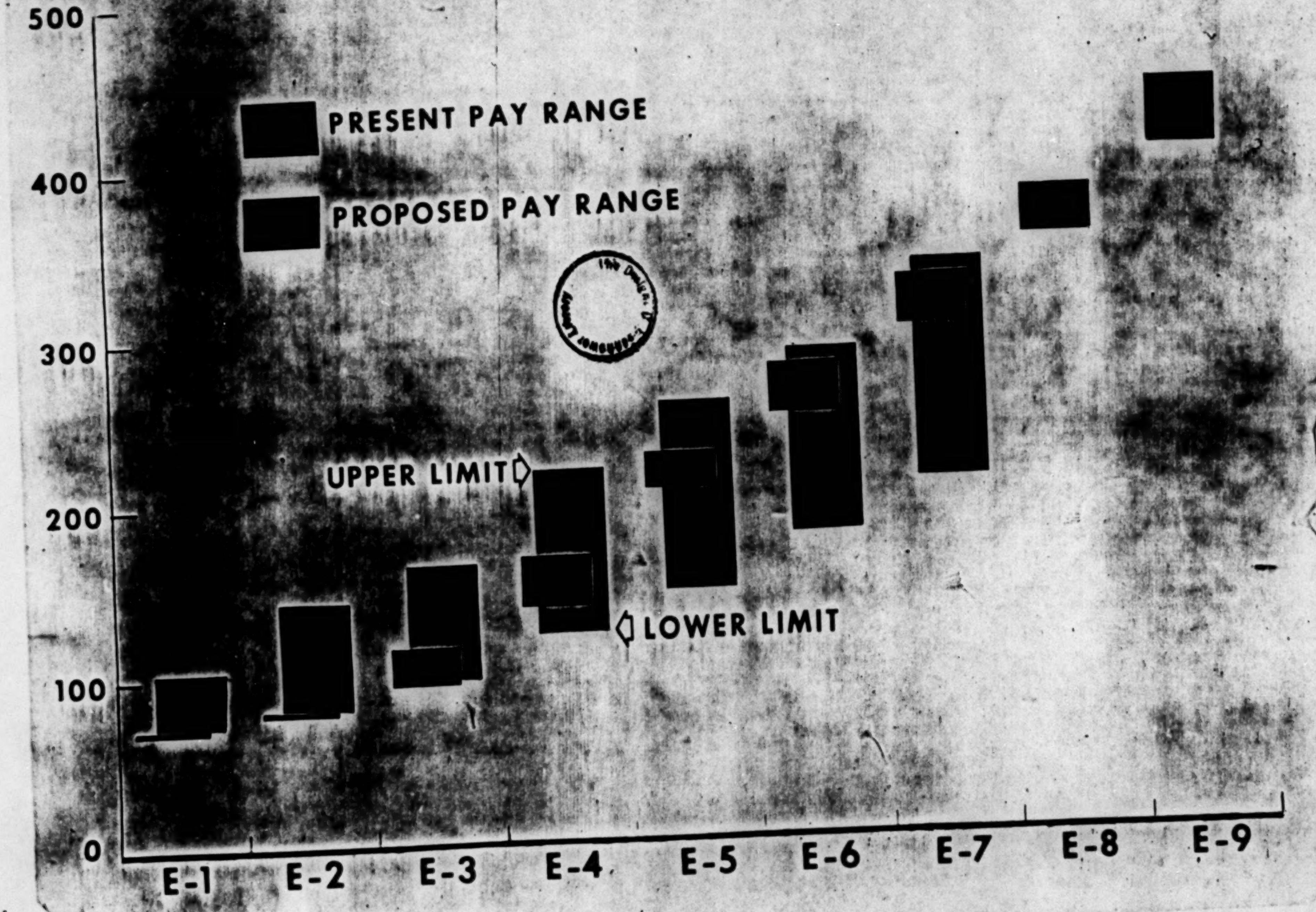
DEMAND FOR TRAINED AND EXPERIENCED MANPOWER INCREASES AS TECHNOLOGY ADVANCES



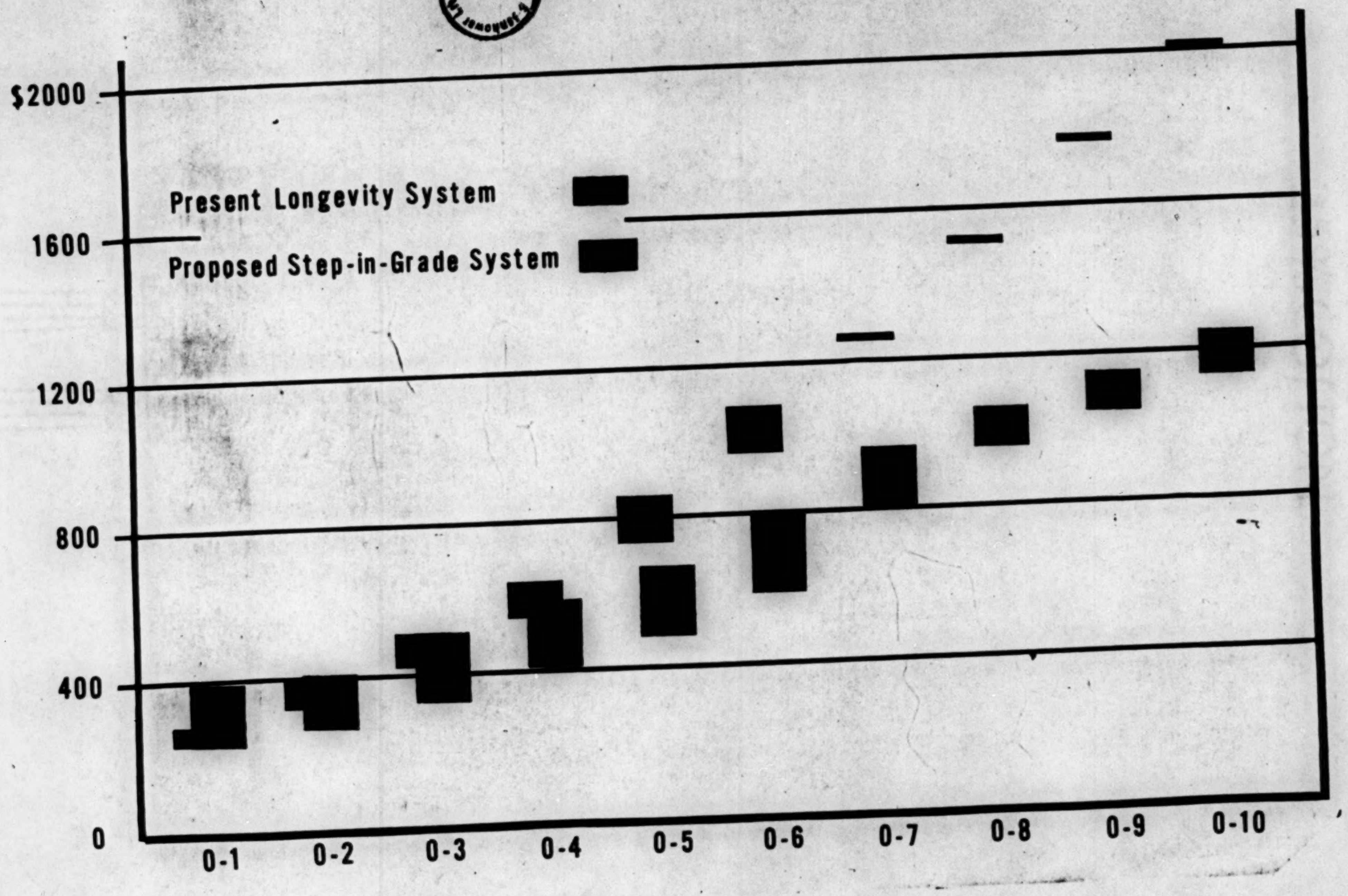
SUMMARY OF MAJOR FEATURES

- INCREASE NUMBER OF GRADES
- STEP-IN GRADE SYSTEM
- NEW PAY SCALES
- [illegible]
- RESERVE OFFICER CONTRACTS

COMPARISON OF PRESENT AND PROPOSED ENLISTED PAY



COMPARISON OF PRESENT AND PROPOSED OFFICER PAY



PAY OF
CURRENTLY
RETIRED

CONVERSION PLAN

CONVERSION PLAN

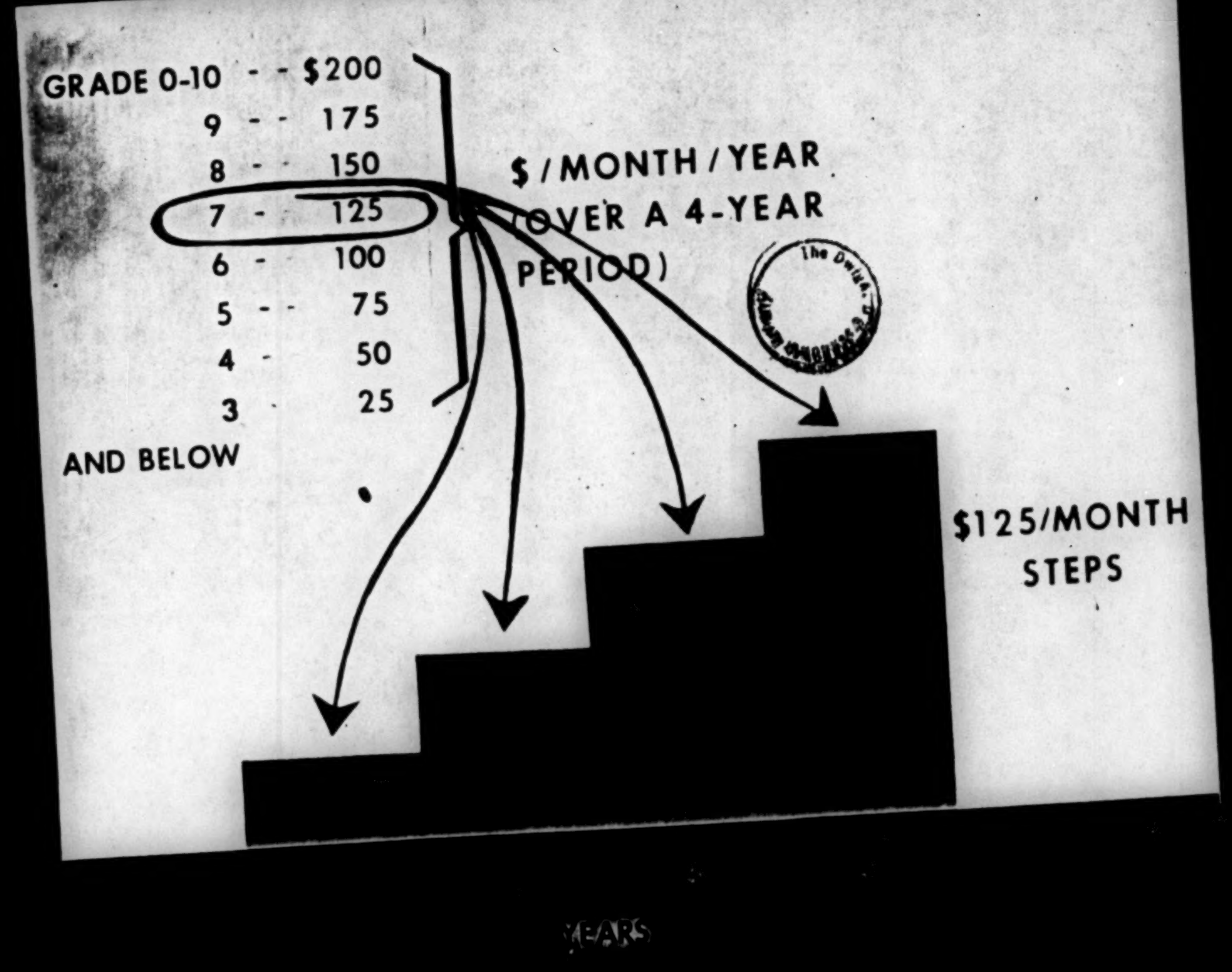
CONVERSION PLAN

CONVERSION PLAN

CONVERSION PLAN

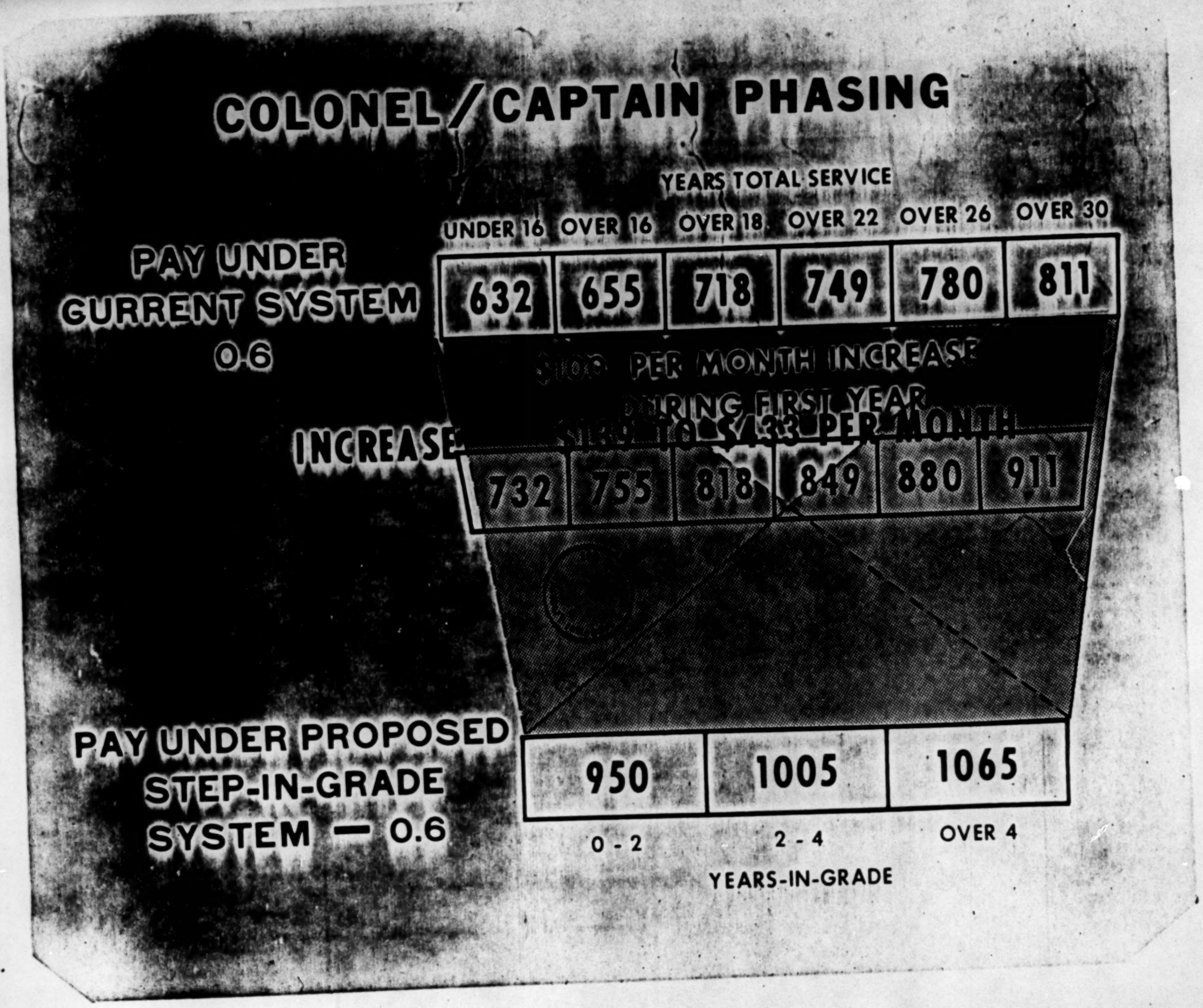
PHASING SCHEDULE -

OFFICERS AND WARRANT OFFICERS



GRADE	$/MONTH/YEAR (OVER A 4-YEAR PERIOD)
0-10	$200
9	175
8	150
7	125
6	100
5	75
4	50
3 AND BELOW	25

$125/MONTH STEPS
YEARS



COLONEL / CAPTAIN PHASING

YEARS TOTAL SERVICE

	UNDER 16	OVER 16	OVER 18	OVER 22	OVER 26	OVER 30
PAY UNDER CURRENT SYSTEM 0.6	632	655	718	749	780	811
INCREASE	732	755	818	849	880	911

$100 PER MONTH INCREASE
DURING FIRST YEAR
$189 TO $433 PER MONTH

	0 - 2	2 - 4	OVER 4
PAY UNDER PROPOSED STEP-IN-GRADE SYSTEM — 0.6	950	1005	1065

YEARS-IN-GRADE

FY 59

ADDED COSTS

$450 million

To be included in FY 59 Budget Plans

CABINET PAPER—PRIVILEGED

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CP - 57-61/3

April 6, 1957

The White House

Washington

THE CABINET

Establishment of an Interdepartmental Committee on Civilian Compensation and Pay Systems Within the Executive Branch

The attached approved paper is circulated for action by the members of the Cabinet Committee on Government Salaries and Benefits, and for the information of the other Cabinet members.

This paper and its recommendations were revised and approved at the Cabinet meeting of April 5, 1957 (RA - 57-71, Item 3.) Section IV-C-7 has been added pursuant to the above action.

The attention of the recipients of this paper is again directed to the point that the new Committee and its staff are not to be announced publicly, since their activities, findings and recommendations will be used simply as guidance for the development of Administration policy on these matters.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

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April 6, 1957

THE WHITE HOUSE

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THE CABINET

Establishment of an Interdepartmental Committee on Civilian Compensation and Pay Systems Within the Executive Branch

I. Background

Patch work has been the pattern since 1923, caused by:

Group pressures

Labor Market necessities

Unique agency problems

Dispersion of authority and responsibility in government for study and action, based on different statutes, plus the natural interest of various Congressional committees in different segments of problem, have resulted in contradictions and conflict, but also in constructive experimentation.

II. Variations in Policy Now Practiced

A. Price the JOB, Not the MAN	
o Pay statutory salary	Classification Act of 1949 Executive Pay Act P. L. 68 - Postal Field Service Compensation Act of 1955
o Pay local labor market prevailing rates	Wage Board Systems
o Pay regional labor market rates	TVA
o Pay national prevailing rates	Wage Board top supervisors
o Pay partially negotiated rates	G.P.O, Interior
OR	
B. Price the MAN, Not the JOB	
o On rank in a promotional hierarchy	Foreign Service Act
o On personal qualifications	Vet. Admin., M & S
C. Price the JOB within a statutory range	Section 803 of Classification Act
D. Price the JOB and the MAN	P. L. 313

Each policy may be individually defended, but mixed together they raise conflicts, which are illustrated by the following questions:

-- Why are trades and crafts in the postal field service paid on national and uniform rates when similar occupations in other agencies are paid on a prevailing rate?

-- Why should professional engineers be paid on the basis of duties performed but physicians paid with little regard to this factor?

-- Why is it possible for supervisors to decide the classification and consequent pay of some jobs with little paper processing while other jobs require relatively more precise and indirect methods and controls?

-- Why are some employees consulted when their pay is set while others are not?

-- Why is pay adjusted for some employees at least annually while for their co-workers in the same building it is adjusted every two or three years, or less frequently?

III. Past Proposals

Various commissions, ad hoc committees and experts, have suggested changes needing study and test to determine feasibility and methods of application, such as:

-- Simplification of the Classification Act by reducing the number of grades

-- Central coordination of wage board systems

-- Extension of "prevailing rate" basis to selected Classification Act levels or occupations

-- Redefining the responsibilities of executive and legislative branches to allow timely and current adjustments for white collar employment

-- Delegation to supervisors of evaluation determinations and simplification of processes

-- Greater coordination between classification -- pay and other personnel functions, particularly on standards for paying, hiring and promotions.

IV. Frame of Reference for a Proposed Interdepartmental Committee on Civilian Compensation and Pay Systems Within the Executive Branch

A Nature of the Problem

For over 30 years there has been no comprehensive re-examination of the various systems used to fix the pay of the civilian employees of the Federal Government During this period the Government has greatly increased in size and complexity New and separate pay systems have been established, presumably to meet the special needs of the services for which they were created. While attempts have been made to maintain reasonable relationships among systems, they have not been based upon thorough or comprehensive study and analysis.

The civilian service of the Government is made up of over 2.25 million employees upon whom the Government relies for the conduct of its day-to-day affairs. It includes men and women of a high degree of competence, CP - 57-61/3

Revised page 3

devotion and integrity. If our affairs are to be well managed, it is essential that the Federal Government be in a position to continue to attract to its service and hold people of the highest competence.

The Department of Labor in its forecast of "Our Manpower Future, 1955-65" predicts that during this decade our population will increase 28.1 million and that the demand for the gross national product will require the employment of 10.8 million additional people. It also points out, however, for example, that in this same period the number of males in the 25-44 age range will decrease by 100,000. Assuming that these projections are accurate, the competition for trained and competent personnel will increase during the next decade.

In the face of these facts and predictions, the pay systems of the Executive Branch should be thoroughly studied to determine whether and how they can be improved to best meet the needs of the Federal Government, for a sound pay structure.

B. Objective

The Committee should bear in mind the fact that the Federal Government as a public service is responsible to all citizens for the efficient conduct of its services. It should review the recommendations of prior study groups as they relate to the improvement and modernization of various pay systems.

The Committee's recommendations should provide the basis for an action program to improve pay fixing for civilian positions, and establish a sound relationship among the various pay systems within the service. The ultimate objective is the development of a pay structure which makes possible the recruitment and retention of competent people for the Federal service.

C. Scope of the Committee's Work

The Committee should report on the objectives and characteristics of executive branch civilian pay systems and the suitability of such systems for their objectives. The Committee should, among other things, consider:

1. Comparison of executive branch pay systems and practices with those of selected non-Federal organizations performing generally comparable work under similar circumstances.

2. Uniformity and diversity in executive branch pay systems by agencies and programs, by occupations, by geographic location, by types of status (career, non-career, etc.) in such respects as

    job evaluation and classification
    pay plan
    pay rates

3. Relationship of essential elements in pay and compensation systems such as base pay, premium pay, and the value of other benefits.

4. Factors in adjusting pay levels from time to time - relevance of such items as variations in non-Federal pay rates, changes in consumer prices, changes in productivity - the relationship of pay adjustment to budget and fiscal policy and the effect on the national economy.

5. Executive branch responsibility and discretion in pay matters, in relation to Congress; degree and manner of consultation with employee groups in pay administration.

6. Executive branch organization for pay administration: operating responsibilities of departments and agencies, central responsibilities for establishing standards and regulations and for rate setting. Relationship of pay administration to other functions of Civil Service Commission and Bureau of the Budget, and to the data collecting functions of Bureau of Labor Statistics and others.

7. The methods by which the Administration's final recommendations on these matters can most effectively be presented to the Congress and to the public.

V. Conclusions of the Committee on Government Salaries and Benefits

-- A comprehensive study of the pay systems and entire pay structure of the Executive Branch is needed to form a sound basis for recommendations leading to needed changes and improvements.

-- That a comprehensive study of the pay structure of the Executive Branch should be conducted by a Committee appointed from within the Executive Branch.

It is believed that the Executive Branch should study its problems, develop solutions, take administrative action where it has authority and recommend legislative action when required to improve administration. Also, it is believed that by confining the membership of the Committee to the Executive Branch the necessary work can be completed in a shorter period of time; that with all Committee members being appointed from the Executive Branch there can be more freedom in the consideration and use of the Committee findings and recommendations.

VI. Recommendations

A. That the Cabinet Committee on Government Salaries and Benefits be redesignated as an interdepartmental committee within the meaning of Section 214 of the Act of May 3, 1945, (31 U.S.C. 691).

B. That the above Cabinet Committee on Government Salaries and Benefits establish a Steering Committee on Civilian Compensation and Pay Systems within the Executive Branch, to be composed initially of the representatives of the Departments of Labor, Defense, Post Office and of the Civil Service Commission.

C. That the representative of the Department of Labor act as chairman of the Steering Committee.

D. That the Steering Committee make a comprehensive study of the laws, policies and methods of fixing the compensation of civilian officers and employees in the Executive Branch of the Government, being guided in this study by the frame of reference included in this paper under Section IV.

E. Each Agency represented on the Cabinet Committee on Government Salaries and Benefits will, as necessary, furnish assistance to the Steering Committee, including the detail of employees, in accordance with 31 U.S.C. 691. All Departments and Agencies shall cooperate with the Steering Committee.

F. That, by October 1957, the Steering Committee present its findings and recommendations to the Cabinet Committee.

G. That the new Steering Committee and its work not be announced publicly, since its activities, findings and recommendations will be used simply as guidance for the development of Administration policy on these matters.

VII. Concurrences

The Government Salaries and Benefits Committee.

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CA - 57-88

November 7, 1957

The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday, November 8, 1957

1.	The Career Executive Program	CP - 57-73	Dr. Arthur Flemming
2.	The Department of Labor's Legislative Program	(Oral)	The Secretary of Labor
3.	The Legislative Program of the Department of Health, Education, and Welfare	(Oral)	The Secretary of Health, Education, and Welfare
4.	Public Works Stabilization Plans	CP - 57-72	The Coordinator for Public Works Planning

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

MINUTES OF CABINET MEETING

November 8, 1957
9:05 A. M. -- 10:20 A. M.

The following were present:

President Eisenhower

Under Sec. of State Herter
(for Sec. Dulles)
Sec. Anderson
Sec. McElroy
Deputy Atty Gen Rogers
(for Mr. Brownell)
Mr. Summerfield
Sec. Seaton
Under Sec. of Agr. Morse
(for Sec. Benson)

Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage
and Mr. Stans
Mr. Gordon Gray
Dr. Saulnier
Amb. Lodge
Gov. Stassen

Under Sec. Labor O'Connell
Solicitor Stuart Rothman, Labor Dept
Walter Wallace, Labor (in part)
Harris Ellsworth, CSC (in part)
Arthur Flemming (in part)
Fordyce Luikart (in part)
Leo A. Hoegh, FCDA

Gov. Adams
Gen. Persons
Mr. Rabb

Mr. Morgan
Dr. Hauge
Gov. Pyle
Mr. Siciliano
Gen. Goodpaster
Mr. McCabe
Mr. Martin
Mr. Anderson
Mr. McPhee
Mrs. Wheaton (in part)
Mr. Patterson
Mr. Minnich

State Dinners - In connection with the annual round of State dinners, the President noted that all Cabinet officers were invited to them as a matter of custom. Should any of them have a feeling that these were tiring, as they must be, and if they so desired, it could be arranged for a rotation of Cabinet officers attending. The President said he would welcome any expression of feeling.

Cabinet Executive Sessions - The President stated that he had asked

Gov. Adams to keep in touch with the members so that an executive session attended only by those regularly at table might be held whenever one or more of the group thought it desirable. Such sessions would be held perhaps as a preliminary half-hour for informal discussions without agenda.

United Nations Developments - Amb. Lodge noted the importance of the two votes in the UN that went against Russia recently -- one regarding Turkey and Syria, the other in support of the US position on disarmament. He believed that Russia's "tough" attitude toward India and Indonesia about the possibility of using troops in Turkey had boomeranged.

Mr. Lodge then called attention to the positive position that the US will be able to take for the first time regarding multilateral aid under the UN. This would make it possible for the US to get more for its money while at the same time advancing projects consistent with our foreign policy. He was grateful for Sec. Anderson's vision in helping to develop this. On being asked by the President, he stated that the total UN fund would run to $100 million, of which the US would contribute at the most $40 million.

United Givers Fund - Mr. Seaton, Chairman of the Government fund drive, again asked Cabinet members to get their departmental chairmen to put some fire into the drive. He noted the pressure that would be exerted should this drive fail for returning to the old system of individual solicitations.

Career Executive Program (CP 57-73) - Dr. Flemming outlined the content of the Cabinet paper recommending establishment of this program. He emphasized that the program has nothing to do with the determination of what positions are career-type and what ones are not. He said that the program would allow easier but necessary transfers of top level career officials both within an agency and from one agency to another without loss of status or a lessening of position. He pointed out that most of the desired actions could be accomplished by the President without reference to Congress.

The President asked if this could be a function of his own Personnel Adviser. Dr. Flemming replied affirmatively, though he saw some possible desirability in establishing it on a bipartisan basis. The President said he had raised this in the light of the possibility that the program might be established by Executive action and also because of possible sensitivities involved in placing people in different agencies.

Sec. Mitchell ascertained that the program would not limit the agency head's authority to fire, transfer, or promote an individual. Dr. Flemming added that the program was essentially a service to agency heads and that the only limitation involved would be in respect to qualifying a man for membership in the career executive service. Similarly, it was made clear that a department head would not be required to take any particular man.

The President concluded the discussion by expressing his hope that honest performance reports can be given, since he had long ago found how easily a person could compile an entire record of "Satisfactory" without possessing any capabilities.

Labor Legislative Program - Sec. Mitchell set forth the tentative Labor Management Relations program prepared for submission next session. He indicated that it had been discussed extensively with Sec. Weeks and other officials in Commerce and in the White House.

With the aid of a chart, Sec. Mitchell explained the areas covered in the proposal for requiring reports open to the public on certain union activities including welfare and pension funds, conflicts of interest, general union funds, and union organization and structure. The Department of Labor or other responsible agency, depending on the case, would be empowered to investigate the accuracy of reports, issue subpoenas, etc. Proposed legislation also would authorize establishment of a Commissioner of Reports. The proposal as a law would, he felt, fulfill about what the public expects at this time. He described the proposal generally as providing control without interference and insuring that every union member gets the protection the Government can appropriately provide him. He indicated that the matter had not been discussed with Members of Congress. Sec. Anderson thought it might be a mistake to establish certain violations as felonies since it is difficult to secure conviction for petty misconduct when the punishment is severe. Sec. Mitchell added a final comment that he thought the plan would be agreeable to most reputable union leaders.

It was agreed that this proposal would be held in confidence until possible to discuss it with the Legislative Leaders in the December meeting, whereafter it would be developed in such a way as to retain Administration initiative.

Sec. Mitchell then listed other proposals to be offered by the Department, including -- (1) strengthening of the secondary boycott provisions of Taft-Hartley in certain instances; (2) banning "blackmail" picketing; (3) the 1952 Eisenhower proposal regarding economic strikes; (4) elimination of the proviso requiring non-Communist affidavits; (5) authorization for the Mediation Board to make recommendations for settlement of a strike without waiting 80 days; (6) allowing NLRB to permit unions in the construction industry to certify bargaining agents without election; (7) affirm the right of parties to a contract to reject "reopening proposals"; (8) the free speech provision of the 1954 program; (9) eliminating the provision which allows an employer to discharge an individual who goes on strike, in certain specific circumstances; (10) authorize the President to designate an Acting Counsel for the NLRB in case of vacancy; and perhaps other items still under discussion. Still others in the 1957 program would be repeated.

The President noted that no reference had been made to Section 14 (b)--

the right to work proviso -- and agreed with Sec. Mitchell that it did not seem desirable to raise it. The Postmaster General asked about secondary boycott of small businesses, and Mr. Mitchell noted that the pertinent proposals covered only those employers subject to the Taft-Hartley law. He noted also the Administration's position that States should be free to act in areas not covered by the Taft-Hartley Act. Sec. Weeks called attention to discussions still going on with regard to areas like Federal pre-emption of the secondary boycott field, picketing, etc., and he hoped good proposals could be developed. The President noted the sensitivity attached to these subjects. Sec. Mitchell emphasized that the Administration should be very moderate in its recommendations in contrast with the many radical bills certain to be introduced. The Postmaster General asked if anything was being done about strengthening the law on corrupt spending by unions. Mr. Mitchell indicated it was receiving attention.

HEW Program - Sec. Folsom outlined proposals for legislation related to his Department, presenting many pertinent statistics on funds involved and numbers of people affected. Among them he emphasized (1) legislation to return to its former basis the percentage of Federal participation in the old age assistance programs (with appropriate timing for the States to take up the slack); (2) for transferring emphasis from hospital construction to the construction of medical schools; and (3) tightening of standards for school subsidies in Federally impacted areas.

The President, in connection with Item 3, emphasized the eagerness of various States to attract Government installations. He wondered whether such payments would have to go on forever, since the people involved in many instances eventually became part of the community and also because it was almost impossible to ever remove such an installation.

Sec. Folsom offered to send to each Cabinet member a copy of the report soon to be released on the Russian educational system.

Mr. Brundage noted how Congress had recently increased the Federal share of public assistance payments from 50% to 80%, an action opposed by the Administration at the time. He noted how the various assistance programs have increased in cost by 20% since 1955.

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2)✓
Mr. Rabb
Mr. Minnich

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RA - 57-88

November 12, 1957

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, November 8, 1957:

1. The Career Executive Program CP - 57-73

ACTION:

To assist the Committee in going forward with the preparation of its final Report, Cabinet members should at an early date arrange with the Committee Chairman for any further discussion of this paper which they deem desirable.

2. The Department of Labor's Legislative Program

ACTION:

a) The series of legislative program proposals advanced at the meeting by the Secretary of Labor were given general approval, it being understood that suggestions made at the meeting will be taken into account in preparing the final draft legislation.

b) The Cabinet noted that certain additional proposals in this field were still under discussion among the Secretary of Labor, interested Cabinet officers and members of the White House Staff.

c) The Cabinet was reminded that the entire substance of the proposals discussed is to be kept strictly confidential until the President or the Secretary of Labor disclose publicly.

3. The Legislative Program of the Department of Health, Education, and Welfare

a) The Cabinet noted without objection and as a matter of general interest the direction being proposed by the Secretary of Health, Education, and Welfare in his tentative budgetary and legislative recommendation for modifying the following programs: federal public assistance, waste treatment facilities construction grants, Hill-Burton Hospital construction grants, aid to medical schools, school aid to federally impacted areas, the coordination of Civil Service Retirement with OASI and the consolidated reporting of old-age insurance.

CABINET PAPER

For Action

b) The Cabinet noted that proposals with respect to general school construction aid and education beyond the High School were still under discussion and would be submitted later.

c) The Cabinet noted the Secretary's preview of a report on the Russian educational system, soon to be released by the Office of Education.

4. Public Works Stabilization Plans

ACTION:

Deferred until the next meeting. CP - 57-72

ADDITIONAL ITEMS:

A. Attendance at State Dinners

ACTION:

Each Cabinet Member is to notify the Secretary to the Cabinet as to his preference with respect to invitations to the coming series of State Dinners.

B. Cabinet Meeting on November 15

ACTION:

The first portion of next week's Cabinet meeting is to be an executive session of limited attendance, as specified by the President.

C. United Givers' Fund Drive

ACTION:

Each Cabinet Member is again to get in touch personally with the Chairman of his respective Department's UGF drive to discuss additional ways by which his drive can be made 100% successful.

D. Summary of Developments at the United Nations

Information Item Only

Maxwell M. Rabb
Secretary to the Cabinet

HIGHLIGHTS OF THE PRESIDENT'S LEGISLATIVE PROPOSALS IN THE LABOR-MANAGEMENT AREA TO CURB UNION ABUSES AND PROTECT THE INDIVIDUAL WORKER:

THE COMMISSIONER OF LABOR REPORTS

Establish under the Secretary of Labor a new post of Commissioner of Labor Reports, who on behalf of the Secretary would have far-reaching powers of investigation and subpoena to inquire into the propriety and accuracy of the reports required by statute as listed below. The Commissioner would be appointed by the President with the advice and consent of the Senate.

THE REPORTING REQUIREMENTS

All unions, including regional and state conferences, and, where appropriate, employers would be required to file and the Commissioner would receive and make available to the public, full and detailed reports, covering:

1. The operations of all health, welfare and pension funds -- to protect the equity of working people.
2. The handling of all union funds and funds of affiliated organizations -- to insure the proper use of such funds by union officials.
3. Funds exchanged between employers and union officers -- to reveal conflict-of-interest dealings.
4. Union organization and structure -- to help insure the free and democratic operations of unions and secret ballot election for union officers.

In the event of noncompliance by a union, the Secretary of Labor could, after the requirements of due process have been fulfilled, revoke the union's tax exempt status and deprive it of the vital services of the National Labor Relations Board or similar statutory boards.

OTHER LEGISLATIVE PROPOSALS

. Permit union members to sue dishonest labor officials in Federal or State Court.

. Tighten the secondary boycott provisions of the Taft-Hartley Act to protect all employers and individual employees from unfair coercion, and also to deal with the "hot cargo" situation.

. Forbid blackmail picketing to force workers to join or employers to accept a union which they unquestionably do not want.

. Make it a felony under Federal law for union officials or employers to make or receive payments to influence the action of one another.

. Make embezzlement of general union funds as well as health, welfare and pension funds a Federal crime.

. Eliminate "no man's land" by authorizing the States to act where NLRB declines jurisdiction.

Note: This outline contains major provisions of the President's program, but it is not all inclusive.

A SUMMARY STATEMENT OF

THE PRESIDENT'S PROPOSALS TO CURB UNION ABUSES AND TO PROTECT THE WELFARE OF THE INDIVIDUAL WORKER IN LABOR-MANAGEMENT RELATIONS

The President's legislative proposals in the labor-management area to protect the welfare of the individual worker and curb union abuses include amendments to the Taft-Hartley Act, changes in other laws and enactment of new laws. They range from controls over union funds and activities, including boycotts and organizational picketing, to the elimination of the jurisdictional no man's land between State courts and the National Labor Relations Board.

These recommendations, as announced by Secretary of Labor James P. Mitchell, will be presented to Congress in January by President Eisenhower.

The proposals are:

REPORTING REQUIREMENTS
(see attached chart)

. EMPLOYEE WELFARE AND PENSION PLANS -- The public has been aware for some time of financial irregularities in the administration of welfare and pension plans. The Administration will urge action on a recommendation which the President has made repeatedly since 1954 to protect the equity which millions of workers have in these plans. The Administration proposal would require registration, reporting and public disclosure of the operations of all health, welfare and pension plans.

. FINANCIAL REPORTS FROM ALL UNIONS -- The Administration will propose that all labor organizations, local, national and international unions and local, state and regional conferences and councils, file annual financial reports with the Department of Labor. This proposal would require labor organizations to keep their books and records available to their members. It would also require that officers who handle union funds and property be held to a high degree of responsibility to union members and be subject to suit by them for failure to discharge this responsibility.

. UNION ORGANIZATION -- The President will propose that all labor organizations file annually with the Department of Labor, as most do now, copies of their constitutions and by-laws, and report their procedures and practices with respect to such things as qualification for or restrictions on membership, election of officers, calling of regular and special meetings, levying of assessments, imposition of fines, authorization for disbursement of union funds and expulsion of members.

These reports would be made to the Department of Labor and would be open for inspection by the public and any union member.

In the same manner, the Administration will propose that these unions be required to show by appropriate reporting that their members have the right and opportunity, at intervals of not more than four years, to elect their local officers directly by secret vote, and their national or other officers directly by secret vote, and their national or other officers either directly by secret vote, or through delegate bodies elected directly by the membership by secret vote.

. CONFLICT OF INTEREST -- In this area of general reporting, the President will propose that employers report annually payments made to employee representatives, either directly or through a third party, which run contrary to the rights and welfare of individual union members and are prohibited by law.

And the President will also propose that labor organizations and their officers report annually financial dealings with employers or employers' representatives. It is the intent of this proposal to bring union-employer financial transactions into the open, where conflict of interest, bribes and collusion cannot long abide.

The Administration will also propose that a new bribery section be added to the U. S. Criminal Code to make it a felony for employers or employers' representatives or union officials or their representatives to make or receive payments to influence the actions of either. This section would include an immunity clause.

. POWERS AND SANCTIONS -- Under these proposals, the Secretary of Labor would have broad powers to investigate the accuracy of these reports, with the right to subpoena witnesses and evidence.

He could compel compliance by court injunction.

False statements could result in fines and jail for individual violators.

Embezzlement of welfare and pension or general union funds could lead to criminal prosecution of the individuals involved by the Federal Government, prosecution not now authorized.

And finally, any union that wilfully failed to file true and proper reports on general funds and organization could be compelled to forfeit its tax exempt status and the use of the facilities of labor-management boards such as the National Labor Relations Board. This action, however, would be taken only after the full protection of administrative law and court review had been accorded in order to protect unions against hasty or capricious action.

- **A COMMISSIONER OF LABOR REPORTS** -- All of these reports would be made to a Commissioner of Labor Reports, to be appointed by the President with the advice and consent of the Senate. He would serve directly under the Secretary of Labor and would exercise for the Secretary his powers of investigation for accuracy and subpoena of witnesses and evidence. All of these reports would be open to public inspection.

OTHER PROPOSALS -- AMENDMENTS TO THE TAFT-HARTLEY ACT

The second phase of the President's proposals will consist of additional amendments to the Taft-Hartley Act which are appropriate and timely.

SECONDARY BOYCOTTS -- There are certain secondary boycott activities which are definitely contrary to the public interest and as undesirable as the secondary activities now prohibited by the Taft-Hartley Act.

The Administration will propose, therefore, that any secondary boycott instigated by a union now covered by the Act would be prohibited if it coerces an employer directly, or induces individual employees, in the course of their employment, to refuse to perform services in order to coerce an employer to cease doing business with others. This proposal would apply to coercion of all employers, including those not now under the Act's definition of "employer", such as railroads and muncipalities. It would prevent an employer from being coerced to enter into or perform on agreements to refrain from doing business with any other person and in this way deal with the "hot cargo" situation.

The President will also repeat his 1954 recommendations to Congress that the law be changed so that concerted activity against employers performing farmed-out struck work and on construction project sites should not be considered as secondary boycotts.

PICKETING -- The Administration will also recommend that it be made an unfair labor practice for a labor organization to coerce, or attempt to coerce, an employer to recognize or bargain with it as the bargaining representative of his employers where:

1. The employer has recognized in accordance with law another labor organization as the representative of his employees and has executed a collective bargaining agreement, and a question of representation may not appropriately be raised under the Taft-Hartley Act; or
2. Where within the last preceding twelve months the National Labor Relations Board has determined in a proceeding under Section 9 of the Act that the employees do not wish to be represented by the labor organization.
3. In addition, there can be situations when no responsible labor organization could claim a coercive power to force a union upon employees who clearly do not want that union to be their bargaining representative. When it is clear that the employees of the employer do not desire a union as their bargaining representative, the use of a picket line to force that union upon an employer and his employees should be restricted.

OTHER PROPOSED TAFT-HARTLEY-AMENDMENTS -- The Administration will also propose that:

1. Section 302 of the Taft-Hartley Act be amended to:
    a. Prohibit unauthorized payments made to employee representatives by employer agents or representatives, as well as those made directly by employers.

b. Cover employer payments to any employee representative, as distinguished from present coverage of employer payments "to any representative of his employees."

c. Prohibit payments over and above payments for regular job duties by an employer, his agent or representative to an employee or group or committee of employees to encourage, discourage or influence other employees of the employer in the exercise of their right of self-organization or the selection of a representative.

d. Permit employer payments to apprenticeship and training trust funds.

2. That other sections of the Taft-Hartley Act be amended to:

   a. Eliminate the statutory prohibition which bars economic strikers from voting in representation elections.

   b. Authorize the National Labor Relations Board, under appropriate circumstance, to certify building and construction trades unions as bargaining representatives, without prior elections.

   c. Eliminate the non-Communist affidavit requirement.

   d. Prevent parties to a valid contract from being required to bargain during the life of the contract unless there is a reopening provision or the parties agree to the contract being reopened.

   e. Make clear that when the office of the General Counsel of the National Labor Relations Board becomes vacant the President may designate some other officer or employee to serve as acting general counsel until a successor is appointed.

In the area of Federal-State jurisdiction in labor disputes affecting commerce, some problems have arisen due to recent court decisions. The Administration will recommend that these problems be met by amending the Taft-Hartley Act so that the jurisdictional gap which now exists would be closed by authorizing the States to act with respect to matters over which the National Labor Relations Board declines jurisdiction.

These legislative recommendations are designed to benefit and protect the welfare of American workers and to curb abuses in labor-management relations. They are no cure-all. Much of the corruption and violence which has been disclosed can be traced directly to inadequate enforcement of existing laws, particularly at the local level. It should be remembered that there are State laws already on the books, after all, against bribery, against fraud, against murder and embezzlement. These laws, of course, must be enforced to the hilt.

# # # # #

LABOR & MANAGEMENT REPORTING REQUIREMENTS

SECRETARY OF LABOR

Commissioner of Labor Reports*

* TO BE APPOINTED BY THE PRESIDENT WITH THE CONSENT OF THE SENATE.

REPORTS OPEN TO THE PUBLIC

WELFARE & PENSION FUNDS

- ALL EMPLOYER, UNION OR JOINT HEALTH, WELFARE AND PENSION PLANS MUST BE REGISTERED WITH THE DEPARTMENT OF LABOR.
- DETAILED ANNUAL FINANCIAL STATEMENTS MUST ALSO BE PROVIDED.

CONFLICTS OF INTEREST

- ALL LABOR ORGANIZATIONS AND REPRESENTATIVES MUST REPORT ANNUALLY ALL FINANCIAL DEALINGS WITH EMPLOYERS OR EMPLOYERS REPRESENTATIVES.
- EMPLOYERS MUST REPORT ANNUALLY PAYMENTS MADE TO EMPLOYEE REPRESENTATIVES, EITHER DIRECTLY OR THROUGH A THIRD PARTY, INCLUDING PAYMENTS TO TRUST FUNDS OTHER THAN THOSE REPORTED UNDER WELFARE AND BENEFIT PLANS PROCEDURE.

GENERAL UNION FUNDS

- ALL LABOR ORGANIZATIONS, INCLUDING LABOR UNIONS AND REGIONAL CONFERENCES AND COUNCILS MUST FILE A DETAILED ANNUAL FINANCIAL REPORT WITH THE DEPARTMENT OF LABOR.
- ALL LABOR ORGANIZATIONS MUST KEEP PROPER BOOKS AND RECORDS AVAILABLE TO THEIR MEMBERS.
- OFFICERS OF ALL LABOR ORGANIZATIONS, WHO HANDLE UNION FUNDS AND PROPERTY, SHALL BE RESPONSIBLE IN A FIDUCIARY CAPACITY, AND SUBJECT TO SUIT BY MEMBERS IN FEDERAL AND STATE COURTS.

UNION ORGANIZATION AND STRUCTURE

- ALL LABOR ORGANIZATIONS IN INTERSTATE COMMERCE OR TAX EXEMPT MUST REPORT ANNUALLY THEIR UNION STRUCTURE, ORGANIZATION, PROCEDURES, INCLUDING THE MEANS PROVIDED FOR PROTECTION OF MEMBERS AGAINST ARBITRARY DISCIPLINARY ACTION.
- THEY MUST ALSO CERTIFY THAT OFFICERS ARE ELECTED BY SECRET BALLOT AND WITH DUE NOTICE OF ELECTION.

POWERS

1. INVESTIGATION of REPORTS for VIOLATION.
2. SUBPOENA.

ADD A NEW BRIBERY SECTION TO THE U.S. CRIMINAL CODE

TO MAKE IT A FELONY FOR EMPLOYERS OR EMPLOYERS' REPRESENTATIVES OR UNION OFFICIALS OR THEIR REPRESENTATIVES TO MAKE OR RECEIVE PAYMENTS TO INFLUENCE THE ACTIONS OF EITHER.

SANCTIONS

- FINE & JAIL for FILING a FALSE STATEMENT.
- FELONY for EMBEZZLEMENT
- INJUNCTIONS AGAINST VIOLATIONS & to COMPEL DISCLOSURE.
- LOSS of TAX EXEMPTION for the WILFUL FAILURE of a UNION to FILE PROPER REPORTS on GENERAL FUNDS & ORGANIZATION.
- LOSS of NLRB STATUS (UNIONS)

THE WHITE HOUSE
WASHINGTON

November 8, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Two additional items to be added to the agenda

Two very brief items should be added to the agenda today:

1. Brief Report on the United Nations (Ambassador Lodge)

Ambassador Lodge has a very optimistic report to make about defeats inflicted upon Russia in the past few days in the United Nations. He needs about two minutes.

2. United Givers Fund (Secretary Seaton)

The drive is flagging a bit and Secretary Seaton needs about two minutes for a pep talk to get Cabinet officers to take a personal interest in achieving a satisfactory result.

* * * * * *

Item 4 on the agenda -- Public Works Stabilization Plans -- will take 20 minutes in presentation and additional time for discussion. In view of the crowded schedule we have, General Bragdon is prepared to postpone consideration of his subject, which is important, until next week. If time runs short we can eliminate this item at this time.

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

Dinners

Small family talk.

THE WHITE HOUSE
WASHINGTON

November 7, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, November 8, 1957

The following subjects have been listed on the agenda for the Cabinet meeting which will be held at 9:00 tomorrow morning:

1. The Career Executive Program (Dr. Flemming)

Last August 12, after months of study here in the Executive Branch, you appointed a five-man bipartisan Career Executive Committee, "to develop and recommend a Career Executive Program for application within the Civil Service System, including the necessary draft legislation, administrative orders and regulations." The Committee was to report by November 1.

Its report is now ready -- in the sense that the Committee has a full draft, prepared in close consultation with Mr. Siciliano -- a draft ready for the Cabinet and for you.

The draft, being circulated as a privileged Cabinet paper, spells out the need for action, summarizes the scope of the proposals being made, lists the advantages to the Government and to the individuals involved, and presents a specific 18-point plan of action.

Dr. Flemming wishes to discuss this draft, and the program it incorporates, with you and the Cabinet, following which a final report would be prepared together with the implementing documents originally requested by you.

PRESENTATION TIME: 20 minutes

2. **Labor Department's Legislative Program** (Secretary Mitchell)

Secretary Mitchell is prepared to present his Department's major legislative proposals for next year. Pursuant to your specific request of a few months ago, this presentation will include his recommendations for legislation with respect to corruption in labor unions.

PRESENTATION TIME: 10 minutes

3. **Legislative Program of the Department of Health, Education, and Welfare** (Secretary Folsom)

After several preliminary discussions with you and Director Brundage, Secretary Folsom is prepared to discuss a *few* of the major points in his proposed legislative program for next year. He will concentrate his remarks on recommendations with respect to schools.

PRESENTATION TIME: 10 minutes

4. **Public Works Stabilization Plans** (General Bragdon)

After seeing you on several occasions, General Bragdon is now prepared to present his legislative proposals for public works. A Cabinet paper summarizing his recommendations has been circulated.

These proposals involve: (a) a request for general approval of his so-called Major Plan (in case of a severe depression), and (b) a recommendation that the Administration now seek stand-by legislative authority for an Intermediate Plan -- a device whereby available funds could be quickly siphoned to public works projects in case of a moderate turn-down in the economy.

General Bragdon will put forth his recommendations with the aid of a well-designed visual presentation; I have worked with him several times to make sure that his presentation is as succinct as he can make it.

PRESENTATION TIME: 20 minutes

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER—PRIVILEGED
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CP - 57-73
November 5, 1957

The White House
Washington

THE CABINET

The Career Executive Program

For consideration by the Cabinet, attached is a paper submitted by the President's Career Executive Committee. This Committee was established by Executive Order 10724 of August 12, 1957; its duties and the general background of this subject are set forth on page 1 of the attached paper.

The attached paper is a proposed Report of the Committee, not the final Report. Before a final Report is put together, it is the wish of the Committee that an initial discussion be held with the Cabinet to ascertain the views of Cabinet Members and of the President.

Dr. Flemming, the Chairman of the Committee, will present this paper at the November 8 meeting.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Consideration

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November 8, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Career Executive Program

The Career Executive Committee was established by the President (E. O. 10724) with the following objectives:

-- to "develop specific recommendations with respect to the establishment of a career executive program within the Civil Service System;"

-- to "prepare proposed legislation, Executive Orders and regulations necessary to establish a clear policy and plan for the operation of the career executive program."

Underlying the establishment of this Committee are a series of trends and events the most significant of which are:

1. Background - The United States in the past several decades has become a world power and a leader of the free world. Domestically our government has been expanded enormously in scope and in the services it performs for the people. In our democratic political system, career executives provide essential continuity and support in the administrative process through changes in party and policies.

2. Hoover Commission Report - The Hoover Commission (1953-55) highlighted the need to pay special attention to the career executive group. In its report, it called for the establishment of special policies and procedures to improve and make more systematic and flexible the selection, appointment, development, assignment, and compensation of the "Senior Civil Service." The Senior Civil Service would consist of a group of top career administrators, carefully selected from all agencies solely on the basis of demonstrated competence. They would be nominated by their agency heads and selected by a Senior Civil Service Board. They would serve in types of positions agreed to by the Board and the agencies. Rank, basic salary, tenure and status would be vested in the members of the service as individuals similar to that of general flag officers in the Armed Forces.

3. Need for Action - There is widespread agreement with the Hoover Commission's findings of need for action and with the objectives sought by the Commission. The areas of agreement may be described as follows:

   -- that the vast U.S. Government with all of its growing complexity requires the highest quality of continuing managerial talent in order to assure that operations are conducted in an efficient and effective manner;

-- that in the public service setting, there is a need for a highly competent group of politically non-partisan and loyal career executives to support the administrative efforts of political leaders of whichever party is in power;

-- that in order to insure that the Federal Government has an adequate number of highly competent career executives, it must take affirmative steps to develop more effective arrangements for the selection, placement, development, use and retention of career executives;

-- that career executives should be able to serve faithfully each administration and change of leadership and should recognize the changing needs of government policies and programs.

As to be expected, however, a variety of views have been expressed on the specific methods and means which should be employed to obtain the objectives set by the Hoover Commission and others for strengthening the top career administrative service.

In this setting, it was decided that the most useful approach to attain an early action program would be to create a special bi-partisan committee to:

-- devote concerted attention and study to the problem;

-- attempt to reconcile views;

-- propose a plan of action for attaining as soon as possible all feasible objectives.

The attached report summarizes the Committee's recommendations.

Career Executive Committee:

Arthur S. Flemming, Chairman

Carter L. Burgess

Frederick J. Lawton

Willard S. Paul

Robert Ramspeck

REPORT OF THE CAREER EXECUTIVE COMMITTEE

I. Summary of Proposals for a Career Executive Program

Scope - As a frame of reference for developing proposals, the Committee has defined a career executive program to include: The establishment, on a strictly non-partisan basis within the Civil Service System, of policies and procedures, and organizational arrangements for their administration, to improve the selection, placement, compensation and use of career employees who are competent to serve in staff or line positions requiring administrative and managerial capacity in Grades GS-16, GS-17, and GS-18, and their equivalents.

Requirements - The Committee has been mindful that many of the issues in connection with a career executive plan have been clouded by symbols and emotion-charged terms which frequently refer to methods rather than principles. Recognizing this, the Committee has identified, first, what it considers to be the principal requirements which must be met to improve the service at the career executive level. These are:

1. Quality - The need to assure that career executives are people of the highest quality.
2. Effective Use - The need to make the most effective use of career executives.
3. Continuity - The need to assure the retention in government of able career executives and to secure for them a rewarding career.
4. Prestige - The need for greater recognition of the importance of our career executives.

Proposals - We have developed a series of proposals in relation to these principal requirements. These proposals can be summarized as follows:

1. Establishment within the Civil Service Commission of a Presidential Board which would concentrate its attention on the development of policies, standards and procedures to assure greater selectivity in the appointment and greater flexibility in the use of career executives.

2. The Board would cooperate with the Civil Service Commission in modifying classification practices so as to permit greater flexibility in the use of career executives in Grades GS-16, 17, and 18.

3. The Board would receive from the agency heads nominations of persons who meet the selection and qualification standards for career executives.

4. The Board would gather and keep up to date service and experience records of career executives which could be furnished to agency heads when they are seeking highly qualified individuals to fill vacancies at the career executive level.

5. Career executives who desire to broaden their careers or seek opportunities for better placement could request the Board to help them find such opportunities.

6. The Board would develop procedures for assuring a system of appraisal which would ascertain when career executives are capable of assuming higher or broader responsibilities, and to assure that career executives continue to demonstrate the high qualifications necessary at the career executive level.

We favor removing the current statutory restrictions on the number of super-grades because these restrictions create arbitrary inflexibility in the effective utilization of career executives.

Advantages - It is the opinion of the Committee that if these proposals are accepted and applied the following advantages will accrue:

1. To the Government

    a. A more systematic method for the identification, selection and placement of career executives to serve in important administrative positions.

    b. Greater possibilities for the retention of able career executives.

    c. More effective use of career executives to serve the needs of government through the systematic accumulation of information as to the abilities and experience of career executives and the dissemination of that information to agency heads.

    d. The development among our career executives of a better understanding of the inter-relationships of government programs and policies.

    e. Greater emphasis on earlier development of people serving in intermediate and junior executive posts in order to qualify them for top career executive posts.

f. Attraction to the government of able men and women who are selecting a career because of a clarification of the opportunities available to those who reach the top of the career service.

2. To the Individual

a. Greater recognition of the importance of career executive work.

b. Improvement of the possibility for higher compensation for career executives.

c. Enlarged opportunity for placement and advancement in work for which an individual is best suited.

d. Greater emphasis on executive development and training.

Action - Except for the desirable and necessary increase in executive compensation, this program can be initiated by executive action. But, in order to achieve ultimately all of the desired flexibility in the use, compensation and retention of the most capable career executives, legislation undoubtedly will be required. Moreover, there are some issues which require further intensive study; and, it is most desirable that the new Career Executive Board undertake these studies. The experience of the Career Executive Board in the initial stages of this program will provide a valuable basis for development of specific legislative proposals.

Accordingly, two phases in the action plan herein proposed are clearly identified as follows:

Step 1. Putting the program into effect at once by the issuance of an Executive Order.

Step 2. Submission by the Presidential Career Executive Board of legislative proposals designed to bring about further improvements in the program based on actual experience in the initial phases of the program.

II. A Plan of Action

A. First Step - Executive Action

Organization - A Career Executive Board should be created by Executive Order to give the required impetus and attention to a program for career executives. This Board should be located within the framework of our career Civil Service System, with sufficient latitude for decisive action to treat with career executive problems.

Quality - The Career Executive Board should develop and apply policies and procedures relating to the selection and development of career executives to assure the highest possible quality and selectivity in the designation of people for career executive assignments. Furthermore, the continuing development of these people to prepare them for higher responsibilities, and the preparation of new people to meet future career executive needs, must be matters of concern for the Board.

The Career Executive Board, in agreement with the heads of departments and agencies, should identify the types of assignments which are suitable for career executives. Initially, in accordance with accepted practice in connection with changes in personnel administration, incumbents of these positions should automatically become a part of the career executive program.

Effective Use of People - Presently, two of the most serious deterrents to effective assignment and use of executive talent are:

-- The high incidence of special requirements introduced in the descriptions of positions in the upper administrative levels.

-- A reluctance among our senior career executives to move freely and voluntarily between bureaus and departments, and the lack of an effective mechanism for assisting both agency heads and career executives in making suitable placements.

The Career Executive Board can make a major contribution to the achievement of increased flexibility by:

-- Working closely with the Civil Service Commission in the development of standards for classifying executive positions in three broad levels of responsibility in Grades GS-16, 17 and 18;

-- Personalizing the placement of career executives through close working relations with heads of departments and agencies and career executives;

-- Assisting the Commission in the modification of present policies to make more effective use of existing authorities governing the assignment of individuals on extended details;

-- Building perspective through training and development which emphasizes early and broad exposure of individuals to a number of government programs and types of work.

RECOMMENDATIONS

Following are proposals for the attainment of these goals:

Recommendation No. 1 - By Executive Order, establish in the Civil Service Commission a Presidential Career Executive Board with authority as hereinafter specified to develop and supervise improved policies and procedures governing the selection, placement, development, use and retention of individuals who serve as career executives in Grades GS-16, 17, and 18. The characteristics of this Board should be as follows:

a. Appointed by the President.

b. Part-time.

c. Bi-partisan, with members of high reputation from within and outside of the Federal Service.

Recommendation No. 2 - The relationship of the Career Executive Board to the Civil Service Commission should be defined to include:

a. Preparation by the Board of regulations governing the career executive program to be issued by and with the concurrence of the Civil Service Commission.

b. Preparation by the Board of legislative proposals relating to career executives to be sent to the President through the Civil Service Commission.

c. Preparation by the Board of an annual report of accomplishments to be sent to the President through the Civil Service Commission.

Recommendation No. 3 - Provision should be made for appointment of a full-time executive secretary and small staff to perform the functions assigned.

Recommendation No. 4 - The Career Executive Board should work out agreements with heads of departments and agencies as to types of work which are suitable for career executives, using the following as guidelines:

a. The work should be in the career service.

b. The work should involve staff or line assignments requiring administrative and managerial capacity.

Recommendation No. 5 -
(a) The Career Executive Board should recommend to the Civil Service Commission qualification standards for selection of career executives which recognize the following factors:

1. Level of prior service.

2. Extent of prior service in government.

3. Breadth of experience in various administrative situations.

4. Personal qualities of leadership, judgment, adaptability, skill in working relations and potential for growth.

5. Necessity of nomination by the appropriate head of a department or agency.

(b) Incumbents at the super-grade level who are now serving in types of work designated as suitable for career executives should be accepted as career executives without further examination.

Recommendation No. 6 - Provision should be made for special Presidential designation (by commission, letter or certificate) for those who are selected as career executives.

Recommendation No. 7 - All vacancies in types of work designated as suitable for career executives should be filled from among those already designated as career executives or by individuals who meet the qualifications for career executives.

Recommendation No. 8 - The Career Executive Board should assist agencies in filling vacancies of a career executive character in the following manner:

a. Provide for and maintain up-to-date records of experience and performance of career executives;

b. Make available to agency heads the names and records of experience and performance of persons qualified to serve as career executives.

Recommendation No. 9 - The Career Executive Board should advise the Civil Service Commission and heads of departments and agencies on the development of effective programs for the continuing development of career executives, placing major reliance on individual initiative.

Recommendation No. 10 - The Career Executive Board should advise the Civil Service Commission on policies and standards to be established for career development programs for individuals serving in administrative positions below Grade GS-16. These programs should encourage individual exposure to a variety of experience in different agencies and to different types of programs and work.

Recommendation No. 11 - The Career Executive Board should assist the career executive in finding suitable reassignments when this is in the interest of both the career executive and his agency head.

Recommendation No. 12 - The Board should provide for a biennial appraisal on each of the career executives, one important element of which should be a performance report prepared by the agency in which the career executive has been employed.

Recommendation No. 13 - The Career Executive Board should develop standards for determining whether those who have been qualified as career executives continue to demonstrate the qualifications required and should provide standards and procedures for:

a. Determining when a career executive should not be promoted or referred for other assignments;

b. Determining whether the career executive designation should be removed from an individual without disturbing his normal Civil Service status.

c. Reinstatement of the career executive designation for individuals who, though having lost the designation, now meet all requirements for a career executive.

Recommendation No. 14 - At the start, the Career Executive Board should review present arrangements for classifying positions to be included in the super-grades and make recommendations to the Civil Service Commission on the following matters:

-- Establishment of broad standards for the allocation of administrative positions in Grades 16, 17, and 18, which will treat these positions in each of three broad levels.

-- Development of procedures which will simplify and encourage dispatch in the allocation of positions in this service.

Recommendation No. 15 - Policies and practices governing extended details should be modified to permit the assignment of career executives to posts on extended details up to two years.

B. Second Step - Legislation

While major accomplishment in the establishment of a career executive program can be achieved by executive action, legislation will be required to accomplish fully the principal objectives and requirements. Two areas in which legislation should be sought at an early date are:

-- Compensation - Provisions of the Classification Act of 1949 (as amended) restrict the level of compensation below that desirable for senior career civil servants, and, further, restrict the number of positions which may be placed in each super-grade.

-- Training - Off-the-job training, such as is contemplated and needed in the successful execution of career executive development programs, cannot be accomplished under present authorities. People who enter Federal employment at the junior and intermediate levels and proceed upward should be given an opportunity to extend themselves. Outside exposure in the process is of value to the government and to the individual.

RECOMMENDATIONS

The Committee proposes that the Presidential Career Executive Board consider the following for incorporation in its legislative program.

Recommendation No. 16 - Legislation amending the Classification Act should be proposed which would:

a. Increase the compensation ceiling for the top career grade to a point just below the pay rate for departmental Assistant Secretaries.

b. Eliminate the restrictions on the number of positions which may be allocated to each super-grade level.

Recommendation No. 17 - Renewed effort should be made to obtain training authority which will permit the stimulation and strengthening of career development programs, particularly in the off-the-job training area.

November 8, 1957

CABINET PAPER—PRIVILEGED

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CP - 58-73/1

March 4, 1958

The White House

Washington

THE CABINET

The Career Executive Program

The attached approved paper is circulated for action by the Civil Service Commission and by the Career Executive Board, and for the information of the Members of the Cabinet and their staffs.

This paper was approved by the President today following additional consultations subsequent to the Cabinet discussion of November 8, 1957 (RA - 57-88, Item 1).

The attached paper, which (except for this cover page) is no longer privileged after the above date, is in three parts:

A - The Final Report of the President's Career Executive Committee

B - The White House Press Release of today

C - The Executive Order (10758) signed today establishing the Career Executive Program within the Civil Service System.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

REPORT OF THE CAREER EXECUTIVE COMMITTEE

I. Summary of Proposals for a Career Executive Program

Scope - As a frame of reference for developing proposals, the Committee has defined a career executive program to include: The establishment, on a strictly nonpartisan basis within the Civil Service System, of policies and procedures, and organizational arrangements for their administration, to improve the identification, selection, placement, compensation and use of career employees who are competent to serve in staff or line positions requiring administrative and managerial capacity in Grades GS-16, GS-17, and GS-18, and their equivalents.

Requirements - The Committee has been mindful that many of the issues in connection with a career executive plan have been clouded by symbols and emotion-charged terms which frequently refer to methods rather than principles. Recognizing this, the Committee has identified what it considers to be the principal requirements which must be met to improve the service at the career executive level. These are:

1. Quality - The need to assure that career executives are people of the highest quality.
2. Effective Use - The need to make the most effective use of career executives.
3. Continuity - The need to assure the retention in government of able career executives and to secure for them a rewarding career.

4. Prestige - The need for greater recognition of the importance of our career executives.

Proposals - We have developed a series of proposals in relation to these principal requirements. These proposals can be summarized as follows:

1. Establishment of a Presidential Board which would concentrate its attention on the development of policies, standards and procedures to assure greater selectivity in the appointment and greater flexibility in the use of career executives.
2. The Board would suggest to the Civil Service Commission modification in classification practices so as to permit greater flexibility in the use of career executives in Grades GS-16, 17 and 18.
3. The Board would receive from the agency heads nominations of persons who meet the selection and qualification standards for career executives.
4. The Board would gather and keep up to date service and experience records of career executives which could be furnished to agency heads when they are seeking highly qualified individuals to fill vacancies at the career executive level.
5. Career executives who desire to broaden their careers or seek opportunities for better placement could request the Board to help them find such opportunities.
6. The Board would develop procedures for assuring a system of appraisal which would ascertain when career executives are capable of assuming more important responsibilities, and to assure that career executives continue to demonstrate the high qualifications necessary at the career executive level.

7. The Board would be charged with the responsibility of exploring new ways of strengthening the career executive service and of proposing action steps to accomplish that end.

We favor removing the current statutory restrictions on the number of super-grades because these restrictions create arbitrary inflexibility in the effective utilization of career executives.

Advantages - It is the opinion of the Committee that if these proposals are accepted and applied the following advantages will accrue:

1. To the Government
   - a. A more systematic method for the identification, selection and placement of career executives to serve in important administrative positions.
   - b. Greater possibilities for the retention of able career executives.
   - c. More effective use of career executives to serve the needs of government through the systematic accumulation of information as to the abilities and experience of career executives and the dissemination of that information to agency heads.
   - d. The development among our career executives of a better understanding of the inter-relationships of government programs and policies.
   - e. Greater emphasis on earlier development of people serving in intermediate and junior executive posts in order to qualify them for top career executive posts.
   - f. Attraction to the government of able men and women who are selecting a career because of a clarification of the opportunities available to those who reach the top of the career service.

2. To the Individual

   a. Greater recognition of the importance of career executive work.

   b. Improvement of the possibility for higher compensation for career executives.

   c. Enlarged opportunity for placement and advancement in work for which an individual is best suited.

   d. Greater emphasis on executive development and training.

Action - Except for the desirable and necessary increase in compensation and the removal of statutory restrictions on the number of super-grades, this program can be initiated by executive action. But, in order to achieve ultimately all of the desired flexibility in the use, compensation and retention of the most capable career executives, legislation undoubtedly will be required. Moreover, there are some issues which require further intensive study; and it is most desirable that the new Career Executive Board undertake these studies. The experience of the Career Executive Board in the initial stages of this program will provide a valuable basis for development of specific legislative proposals.

Accordingly, two phases in the action plan herein proposed are clearly identified as follows:

Step 1. Putting the program into effect at once by the issuance of an Executive Order.

Step 2. Submission by the proposed Presidential Career Executive Board of legislative proposals designed to bring about further improvements in the program based on actual experience in the initial phases of the program.

II. A Plan of Action

A. First Step - Executive Action

Organization - A Career Executive Board should be created by Executive Order to give the required impetus and attention to a program for career executives. This Board should operate within the framework of our career Civil Service System, with sufficient latitude for decisive action to treat with career executive problems.

Quality - The Career Executive Board should develop and assist in the application of policies and procedures relating to the selection and development of career executives to assure the highest possible quality and selectivity in the designation of people for career executive assignments. Furthermore, the continuing development of these people to prepare them for higher responsibilities, and the preparation of new people to meet future career executive needs, must be matters of concern for the Board.

The Career Executive Board, in agreement with the heads of departments and agencies, should identify the types of assignments which are suitable for career executives. Initially, in accordance with accepted practice in connection with changes in personnel administration, incumbents of these positions should automatically become a part of the career executive program when they are nominated by the head of the department or agency in which they are serving.

Effective Use of People - Presently, two of the most serious deterrents to effective assignment and use of executive talent are:

- -- The high incidence of special requirements introduced in the descriptions of positions in the upper administrative levels.
- -- The system tends to inhibit our senior career executives from moving freely and voluntarily between bureaus and departments, and an effective mechanism for assisting both agency heads and career executives in making suitable placements is lacking.

The Career Executive Board can make a major contribution to the achievement of increased flexibility by:

- -- Working closely with the Civil Service Commission in the development of standards for classifying executive positions in three broad levels of responsibility in Grades GS-16, 17 and 18;

- -- Personalizing the placement of career executives through close working relations with heads of departments and agencies and career executives;
- -- Assisting the Civil Service Commission in the modification of present policies to make more effective use of existing authorities governing the assignment of individuals on extended details;
- -- Building perspective through training and development which emphasizes early and broad exposure of individuals to a number of government programs and types of work.

RECOMMENDATIONS

Following are proposals for the attainment of these goals:

Recommendation No. 1 - There should be established a career executive service consisting initially of those staff or line positions in Grades 16, 17 or 18, and their equivalents in the career service, which require administrative or managerial capacity.

Recommendation No. 2 - By Executive Order, establish a Presidential Career Executive Board with authority as hereinafter specified to develop and assist in the application of improved policies and procedures governing the identification, selection, placement, development, use and retention of individuals who serve in the career executive service. The characteristics of this Board should be as follows:

a. Appointed by the President.

b. Part-time.

c. Bipartisan, with members of high reputation from within and outside of the Federal Service.

Recommendation No. 3 - The relationship of the Career Executive Board to the Civil Service Commission should be defined to include:

a. Preparation by the Board of regulations governing the career executive program to be issued by and with the concurrence of the Civil Service Commission.

b. Preparation by the Board of legislative proposals relating to career executives to be sent to the President through the Civil Service Commission.

c. Preparation by the Board of an annual report of accomplishments to be sent to the President through the Civil Service Commission.

Recommendation No. 4 - Provision should be made for the assignment of a full-time executive secretary and small staff to the Board to assist it in performing its functions.

Recommendation No. 5 -

(a) The Career Executive Board should recommend to the Civil Service Commission qualification standards for selection of career executives which recognize the following factors:

1. Level of prior service.
2. Extent of prior service in government.
3. Breadth of experience in various administrative situations.
4. Personal qualities of leadership, judgment, adaptability, skill in working relations and potential for growth.
5. Necessity of nomination by the head of the appropriate department or agency.

(b) Initially, incumbents at the super-grade level who are now serving in positions designated in the career executive service should be accepted as career executives without further examination when they are nominated by the head of the department or agency in which they are serving.

(c) Individuals serving in types of work not designated for inclusion in the career executive service, but who possess the required individual qualifications, would be eligible for inclusion on a roster of career executive eligibles when nominated by the head of the department or agency in which they are serving.

Recommendation No. 6 - Provision should be made for special Presidential designation (by commission, letter or certificate) for those who are selected as career executives.

Recommendation No. 7 - All vacancies in the career executive service should normally be filled from among individuals who are designated as career executives or from the roster of career executive eligibles. However, this should not operate to prevent the heads of departments and agencies from recruiting from outside of the government service and subsequently nominating those persons so recruited for career executive designation after they have acquired full career status.

Recommendation No. 8 - The Career Executive Board should assist agencies in filling vacancies in the career executive service in the following manner:

a. Provide for and maintain up-to-date records of experience and performance of career executives;

b. Develop and maintain a roster of career executive eligibles, including individuals in Grade GS-15 and others who possess the required individual qualifications, but who are not currently serving in positions designated in the career executive service;

c. When requested, make available to agency heads, for their consideration in filling vacancies in the career executive service, the names and records of experience and performance of career executives and career executive eligibles.

Recommendation No. 9 - The Career Executive Board should advise the Civil Service Commission and heads of departments and agencies on the development of effective programs for the continuing development of career executives, placing major reliance on individual initiative.

Recommendation No. 10 - The Career Executive Board should advise the Civil Service Commission on policies and standards to be established for career development programs for individuals serving in administrative positions below Grade GS-16. These programs should encourage individual exposure to a variety of experience in different agencies and to different types of programs and work.

Recommendation No. 11 - The Career Executive Board should assist the career executive in finding suitable reassignments if this is in the interest of both the career executive and his agency head.

Recommendation No. 12 - The Career Executive Board should provide for a biennial appraisal of each of the career executives, the chief element of which should be a performance report prepared by the agency in which the career executive has been employed.

Recommendation No. 13 - The Career Executive Board should develop standards for determining whether those who have been qualified as career executives continue to demonstrate the qualifications required and should provide standards and procedures for:

a. Determining when a career executive should not be referred by the Board for other assignments.

b. Determining when an individual's career executive designation should be removed. Any additional action involving the individual's status in his position or his normal Civil Service status would have to be taken by the head of the agency under existing law and regulations.

c. Reinstatement of the career executive designation for individuals who, although having lost the designation, now meet all requirements for a career executive. This should be done on agreement between the Board and the head of the appropriate department or agency.

Recommendation No. 14 - At the start, the Career Executive Board should review present arrangements for classifying positions to be included in the super-grades and make recommendations to the Civil Service Commission on the following matters:

-- Establishment of broad standards for the classification of administrative positions in Grades 16, 17 and 18, which will treat these positions in each of three broad levels, thus minimizing the need for a large number of separate and detailed position descriptions.

-- Development of procedures which will simplify and encourage dispatch in the classification of positions in this service.

Recommendation No. 15 - Policies and practices governing extended details should be modified to permit the assignment of career executives to posts on extended details up to two years.

B. Second Step - Legislation

While major accomplishment in the establishment of a career executive program can be achieved by executive action, legislation will be required to accomplish fully the principal objectives and requirements. Two areas in which legislation should be sought at an early date are:

-- Compensation - Provisions of the Classification Act of 1949 (as amended) now restrict compensation below the level desirable for top career civil servants, and, further, restrict the number of positions which may be placed in each super-grade.

-- Training - Off-the-job training, such as is contemplated and needed in the successful execution of career executive development programs, cannot be accomplished under present authorities. People who enter Federal employment at the junior and intermediate levels and proceed upward should be given an opportunity to improve their qualifications. Outside exposure in the process is of value to the government and to the individual.

RECOMMENDATIONS

The Committee proposes that the Presidential Career Executive Board consider the following for incorporation in its legislative program.

Recommendation No. 16 - Legislation amending the Classification Act should be proposed which would:

a. Increase the compensation ceiling for the top career grade to maintain a relationship at a point just below the pay rate for departmental assistant secretaries.

b. Eliminate the restrictions on the number of positions which may be classified to each super-grade level.

c. Permit recognition of individual worth and performance in the establishment and adjustment of compensation.

Recommendation No. 17 - Renewed effort should be made to obtain training authority which will recognize the importance of training both to the government and the individual and will permit the stimulation and strengthening of career development programs, particularly in the off-the-job training area.

Drawing on its experience, the Career Executive Board will be in a position to identify other steps which should be taken to strengthen and improve the career executive program. Review of program experience, identification of additional changes needed and the preparation of proposals to improve the career executive program should be a major continuing responsibility of the Board.

Recommendation No. 18 - The Career Executive Board should be charged with the responsibility of exploring new ways of strengthening the career executive program and of proposing action to achieve that end.

December 1957

IMMEDIATE RELEASE March 4, 1958

James C. Hagerty, Press Secretary to the President

THE WHITE HOUSE

The President today, by Executive Order, established a program to improve the selection, development and use of top ranking civilian career employees in administrative and managerial positions within the government.

The new program, based upon the recommendations of a Career Executive Committee established by the President late last year is designed to:

1. Assure that career executives are people of the highest quality.
2. Make the most effective use of career executives.
3. Assure the retention in government of able career executives and to secure for them a rewarding career.
4. Provide prestige through greater recognition of the importance of government career executives.

The President has appointed a five-member bipartisan Career Executive Board to develop and assist in the application of policies, standards and procedures under which the program will operate. The Board will serve in an advisory capacity to the Civil Service Commission. Not more than three members may be adherents of the same political party. Dr. Arthur Flemming has been asked to serve as Chairman. Other members of the Board will be:

Mr. James P. Mitchell, Secretary of Labor

Mr. Frederick J. Lawton, U.S. Civil Service Commissioner

Mr. Charles B. Stauffacher, Vice President, Continental Can Company

Mr. James H. Taylor, Manager of Personnel Administration, Proctor and Gamble Company

The Board will perform the following functions:

1. Receive nominations from Federal agencies for employees who are considered to meet the qualifications standards for career executives and, upon concurrence, recommend that the President designate such individuals as civil service career executives.
2. Maintain experience records of designated career executives and develop a supplementary roster of career executive eligibles for use by agencies in filling suitable vacancies.
3. Develop methods for regular appraisal of career executives.

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4. Assist the Civil Service Commission and agencies in development of effective training programs for career executives.

5. Recommend to the Civil Service Commission any changes required in position classification practices so as to permit greater flexibility in assignment of career executives.

6. Recommend appropriate steps to the Civil Service Commission and the President to strengthen the program. Legislative proposals recommended by the Board will be submitted to the President through the Civil Service Commission.

In defining the career executive program, the Executive order includes those positions in the competitive civil service in grades GS-16 and above -- and their equivalents -- which have "significant administrative or managerial characteristics." An incumbent in a GS-16 and above, or equivalent position is not automatically a member of the career executive service. He must be recommended by the head of his agency, the Career Executive Board must approve, and the President must so designate him. The Executive order also provides authority to extend the Career Executive Program to include jobs in grades below GS-16.

The Committee which formulated the recommendations on which today's order is based was composed of Arthur S. Flemming, Chairman; Frederick J. Lawton, Carter L. Burgess, formerly Assistant Secretary of Defense and now President of American Machine and Foundry Company; Lt. General Willard S. Paul, USA (Ret.) now President of Gettysburg College; and Robert Ramspeck, formerly Chairman, House Post Office and Civil Service Committee, later Chairman, U.S. Civil Service Commission and now Vice President of Eastern Airlines.

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EXECUTIVE ORDER

ESTABLISHING A CAREER EXECUTIVE PROGRAM WITHIN THE CIVIL SERVICE SYSTEM

WHEREAS administration of the complex operations of the executive agencies of the Federal Government requires the highest quality of managerial ability and experience; and

WHEREAS it is essential that competent and experienced civil service executives be available in the several executive agencies to assist the heads thereof in effectively administering their agencies and functions; and

WHEREAS action is needed to assure the retention and effective use in the Federal service of the top rank officers and executives of the career civil service of the Federal Government:

NOW, THEREFORE, by virtue of the authority vested in me by the laws of the United States, including section 1753 of the Revised Statutes (5 U.S.C. 631) and the Civil Service Act of January 16, 1883 (22 Stat. 403), and as President of the United States, it is ordered as follows:

Section 1. Definitions. As used in this order:

(a) "Career executive service" means those line or staff positions in the competitive civil service having significant administrative or managerial characteristics which are designated by the heads of the executive agencies concerned with the approval of the Career Executive Board hereinafter established from among (1) positions in Grade GS-16 and above (and their equivalents) and (2) positions in such grades below GS-16 (and their equivalents) as are hereafter designated, under the authority of this subsection, as additional career executive-program grades by the United States Civil Service Commission (hereinafter referred to as the Commission) upon the recommendation of the said Board.

(b) "Career executive" means an employee in the career executive service.

(c) "Executive agency" means any department, independent establishment, or other instrumentality of the executive branch of the Government of the United States which is, or may hereafter become, subject to the civil-service laws.

Section 2. Career Executive Board. There is hereby established the Career Executive Board, hereinafter referred to as the Board, which shall be composed of five members. Three of the members shall be appointed by the President from private life and each of two of the members shall be a representative of an executive agency in consonance with section 214 of the Independent Offices Appropriation Act, 1946, approved May 3, 1945 (59 Stat. 134; 31 U.S.C. 691). One of the agencies so represented shall be the Commission and the other shall be such executive agency, other than the Commission, as the President may from time to time designate. Not more than three of the members of the Board shall be adherents of the same political party. The Chairman of the Board shall be designated from time to time by the President from among the members of the Board.

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Section 3. Functions of the Board. (a) The Board, after consultation with the executive agencies, shall develop and assist in the application of improved policies, standards, and procedures designed to facilitate the identification, selection, placement, and retention of civil-service career executives, and shall advise the Commission with respect to the issuance of regulations governing such matters.

(b) In performing its functions, the Board shall:

(1) Receive from the heads of executive agencies, in accordance with procedures to be adopted by the Board, nominations made by such heads of career employees who are considered as meeting the qualification standards for career executives established pursuant to this order, and, if concurring in such nominations, recommend that the President designate such individuals as career executives.

(2) Maintain service and experience records of designated career executives and develop a supplementary roster of career executive eligibles for use by heads of executive agencies in filling suitable vacancies occurring in such agencies.

(3) Develop methods of assuring adequate and regular appraisal of career executives to facilitate its referral operations and to help determine whether those who have been qualified as career executives continue to demonstrate the required qualifications.

(4) Assist the Commission and the heads of the several executive agencies in the development of effective programs for the training of career civil-service employees for promotion to positions in the career executive service and for the training of career executives.

(5) Recommend to the Commission changes in position classification practices to permit greater flexibility in the assignment of career executives within the career executive service.

(6) Recommend to the President and to the Commission such steps as will strengthen the career executive program. Legislative proposals recommended by the Board shall be submitted to the President through the Commission in accordance with established practices.

Section 4. Entrance into career executive service. An employee may become a participant in the career executive program established by this order only by being designated as a career executive by the President.

Section 5. Miscellaneous provisions. (a) Consonant with law, each executive agency represented on the Board under the provisions of section 2 of this order shall, as may be necessary for the purpose of effectuating this order, furnish assistance to the Board in accordance with the aforesaid section 214 of the Independent Offices Appropriation Act, 1946. Such assistance may include detailing employees to the Board, one of whom may serve as its executive secretary, to perform such functions, consistent with the purposes of this order, as the Board may assign to them. Members of the Board may receive transportation and per-diem allowances as authorized by the Standardized Government Travel Regulations.

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(b) The Commission shall take such action, including issuance of regulations, as may be necessary for carrying out the career executive program established by this order.

(c) The Board shall submit an annual report of its activities to the President through the Commission.

Section 6. Revocation. Executive Order No. 10724 of August 12, 1957, is hereby revoked.

DWIGHT D. EISENHOWER

THE WHITE HOUSE

March 4, 1958

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UNITED STATES DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY

January 6, 1958

MEMORANDUM FOR BRAD PATTERSON

I thought you might be interested in this. In addition, the chart attached is the one Secretary Mitchell used in his presentation at Cabinet in early November, a copy of which you requested for your files.

Walter C. Wallace

Form R - 1(F)
(Revised May 1957)
U. S. Department of Labor

Form Approved
Budget Bureau No. 44-R700.7

FINANCIAL REPORT SCHEDULES

(Attach separate statement if additional space is required.)

FULL NAME OF ORGANIZATION (LOCAL NUMBER, IF ANY)	FISCAL YEAR ENDING , 19
PRINCIPAL BUSINESS ADDRESS, (STREET, CITY, ZONE, STATE)	

Library

Instructions - Schedule A: Itemize any receipts from sale of assets included on line 8, Statement of Receipts and Disbursements, giving details with respect to each asset sold, except securities, inventory, equipment, furniture and fixtures.

Schedule A. - Receipts From Sale of Assets

Kind of Property (If realty give location)	Year acquired	Gross sales price (contract price)	Cost or other basis	Net value on the books	Expense of sale
		$	$	$	$

Instructions - Schedule B: List the name of any officer who repaid advances or loans, with the total amount repaid. List the name of any staff member who repaid advances or loans in excess of a total amount of $500, with the amount repaid.

Schedule B. - Repayment of Advances or Loans

Name	Amount
	$

Instructions - Schedule C: List the name of any officer who received advances or loans, with the total amount received. List the name of any staff member who received advances or loans in excess of a total amount of $500, with the amount received.

Schedule C. - Disbursement of Advances or Loans

Name	Amount
	$

Instructions - Schedules D, E, G, K and L: Separately identify each individual item representing one or more transactions during the year with an individual or organization if the total amount of such individual item is in excess of 25% of the schedule total. Grouping of other items under customary accounting classifications is permissible.

Schedule D. - Receipts from Other Sources

Item	Amount
	$
Total	$

Schedule E. - Other Allowances

Person	Amount
	$
Total	$

Schedule F. - Contributions, Gifts, Grants, etc. to officers or staff not reported as salaries or allowances.

Recipient	Amount
	$

Schedule G. - Other Disbursements

Item	Amount
	$
Total	$

Schedule H. - Land and Buildings

1. Kind and location of property (Note: Indicate by use of an asterisk (*) property not included in the amount shown on Line 9-Balance Sheet.)	2. Year Acquired	3. Cost or other basis of valuation	4. Total depreciation charged, if any, on buildings since acquisition	5. Net value as shown on the books
		$	$	$

Instructions - Schedule J: List the name of any officer who has any advance or loan outstanding at the end of the fiscal year and state the amount. List the name of any staff member who has any advance or loan outstanding at the end of the fiscal year in excess of $500 and state the amount.

Schedule J. - Notes Receivable

Name of officer	Amount	Name of staff member	Amount
	$		$

Schedule K. - Other Assets

Item	Amount
	$
Total	$

Schedule L. - Other Liabilities

Item	Amount
	$
Total	$

Schedule M. - Assets Pledged or Used as Collateral or Security

Description of assets	Value	By whom pledged or used
	$	

Form R-1
(Rev. May 1957)

Form Approved
Budget Bureau No. 44-R700.7

LABOR ORGANIZATION REGISTRATION FORM

Act of June 23, 1947, as amended (61 Stat. 136,29 U.S.C. 141 et seq.).

TO: BUREAU OF LABOR STANDARDS,
UNITED STATES DEPARTMENT OF LABOR, WASHINGTON 25, D. C.

Section 9 (f) and (g) of the National Labor Relations Act, as amended, requires that the following information be filed with the Secretary of Labor and kept up to date annually, before the National Labor Relations Board is authorized on petition or charge of a labor organization to take certain action in representation and unfair labor practice cases. This report must be filed not only by any labor organization desiring to raise any such question before the Board, but also by any national or international labor organization of which such labor organization is an affiliate or constituent part.

CHECK ONE: First filing________ Subsequent filing________

1. FULL NAME OF ORGANIZATION (LOCAL NUMBER, IF ANY)

2. PRINCIPAL BUSINESS ADDRESS (STREET, CITY, ZONE, STATE)

3. NAME AND ADDRESS OF PARENT NATIONAL OR INTERNATIONAL UNION, IF NONE, CHECK ☐ 1/

4. (a) LIST THE NAMES, TITLES, AND COMPENSATION AND ALLOWANCES OF YOUR THREE (3) PRINCIPAL OFFICERS WHO SERVED DURING THE PRECEDING FISCAL YEAR. COMPENSATION INCLUDES SALARIES OR FEES FOR PERSONAL SERVICES RENDERED. INDICATE THE MANNER IN WHICH THEY ARE ELECTED OR APPOINTED OR OTHERWISE SELECTED.

NAME	TITLE	HOW SELECTED	TOTAL COMPENSATION FOR THE YEAR EXCLUDING ALLOWANCES	TOTAL ALLOWANCES FOR THE YEAR	
					LIST SEPARATELY NON-CASH ITEMS
			$	$	
1.					
2.					
3.					

(b) LIST THE NAMES, TITLES, AND COMPENSATION AND ALLOWANCES OF ALL other OFFICERS, EMPLOYEES AND AGENTS WHOSE COMPENSATION AND ALLOWANCES FOR THE PRECEDING FISCAL YEAR EXCEEDED $5,000. COMPENSATION INCLUDES SALARIES OR FEES FOR PERSONAL SERVICES RENDERED. INDICATE THE MANNER IN WHICH SUCH OFFICERS, EMPLOYEES AND AGENTS ARE ELECTED OR APPOINTED OR OTHERWISE SELECTED. IF NONE, CHECK ☐.

NAME	TITLE	HOW SELECTED	TOTAL COMPENSATION FOR THE YEAR EXCLUDING ALLOWANCES	TOTAL ALLOWANCES FOR THE YEAR	
					LIST SEPARATELY NON-CASH ITEMS
			$	$	

5. THE INITIATION FEE OR FEES WHICH NEW MEMBERS ARE REQUIRED TO PAY TO JOIN UNION IS $________.
IF MORE THAN ONE RATE APPLIES, INDICATE:
MINIMUM $________
MAXIMUM $________

6. THE REGULAR DUES OR FEES WHICH MEMBERS PAY TO REMAIN IN GOOD STANDING ARE $________ PER ________ (YR., MO., ETC.)
IF MORE THAN ONE RATE APPLIES, INDICATE:
MINIMUM $________
MAXIMUM $________ PER ________ (YR., MO., ETC.)

7. ARE PER CAPITA TAXES OR DUES RECEIVED FROM OR REBATED TO AFFILIATED ORGANIZATIONS? YES ☐ NO ☐
IF "YES," COMPLETE THE FOLLOWING:
AMOUNT OF INITIATION FEES RECEIVED OR RETAINED PER NEW MEMBER $________
AMOUNT OF DUES $________ RECEIVED OR RETAINED PER MEMBER PER ________ (YR., MO., ETC.)

1/ IN THE CASE OF A NATIONAL OR INTERNATIONAL UNION INDICATE FEDERATION OR OTHER AFFILIATION TO WHICH PER CAPITA DUES OR OTHER PAYMENTS ARE REGULARLY SUBMITTED.

NOTE.—If additional space needed to answer questions, attach extra sheet of paper marked with corresponding numbers.

8. *A copy of the constitution and bylaws of your organization is required to accompany this registration form on the initial filing; it must also be submitted with subsequent filings if it has been amended in any way.* Please indicate which paragraphs or sections of your constitution and bylaws show the procedure followed with respect to the items listed below. If your constitution does not cover each of the items specified, a detailed statement explaining the procedure followed by your organization with respect to the items not covered should be attached to this reply form and marked with the corresponding item number.

(a) Qualifications for or restrictions on membership . . . . ________

(b) Election of officers and stewards . . . . ________

(c) Calling of regular and special meetings. ________

(d) Levying of assessments . . . . ________

(e) Imposition of fines. . . . . ________

(f) Authorization for bargaining demands . . . . ________

(g) Ratification of contract terms . . . . ________

(h) Authorization for strikes . . . . ________

(i) Authorization for disbursement of union funds. . . . . ________

(j) Audit of union financial transactions. . . . . ________

(k) Participation in insurance or other benefit plans. . . . . ________

(l) Expulsion of members and the grounds therefor. . . . . ________

9. The financial report Form R-1(F), detailing receipts and disbursements, assets and liabilities, must be completed in full. (Note: A report of audit made and signed by a certified or licensed independent public accountant may be submitted in lieu of this financial report, provided that such report contains all of the information and in the detail requested in the financial report Form R-1(F).)

ATTENTION: A false statement submitted on or in connection with this registration form and financial report is punishable at law.

We, the undersigned, duly authorized officials of the above-named union, declare, under appropriate penalties of law, that the information submitted herewith (including the information contained in any accompanying documents) has been examined by us and is to the best of our knowledge and belief, true, correct and complete.

Signed at ______________________ (city and State)

this ______ day of ______________ 19___.

____
President *(or chief executive officer)*

Signed at ______________________ (city and State)

this ______ day of ______________ 19___.

____
Secretary-Treasurer *(or chief financial officer)*

If telegraphic service is requested in connection with this filing, it must be at your expense.

☆ U. S. GOVERNMENT PRINTING OFFICE : 1958 O—434343

R - 1(F)
(Revised May 1957)
U.S. Department of Labor

Form Approved
Budget Bureau No. 44-R700.7

LABOR ORGANIZATION FINANCIAL REPORT

STATEMENT OF ALL RECEIPTS AND DISBURSEMENTS FOR THE FISCAL YEAR BEGINNING , 19 AND ENDING , 19

LINE

1. CASH BALANCE AT THE BEGINNING OF THE FISCAL YEAR. . . . . $----------

Add:

CASH RECEIPTS

2. Dues (or per capita tax from affiliates). . . . . . . $----------
3. Fees excluding work permits . . . . ----------
4. Work permits. . . . . ----------
5. Fines . . . . ----------
6. Assessments . . . . ----------
7. Income from investments (Dividends, Interest, etc.) . . ----------
8. Receipts from sale of assets (Itemize in Schedule A). . ----------
9. Receipts from sale of supplies (labels, buttons, etc.) . . . . ----------

Other receipts

10. From members. . . . . ----------
11. From affiliated organizations . . . . ----------
12. From repayment of advances or loans (Itemize in Schedule B advances or loans to officers or staff). ----------
13. From other sources (Itemize in Schedule D). . . . . . __________
14. TOTAL CASH RECEIPTS (Sum of Lines 2 through 13) . . . . $__________

15. TOTAL CASH ACCOUNTABILITY (Sum of Lines 1 and 14) . . . . $----------

Deduct:

CASH DISBURSEMENTS

16. Per capita tax and assessments. . . . . $----------
17. Other payments to affiliated organizations. . . . . . ----------

Salaries — No. of Persons

18. Officers __________ . . . . . ----------
19. Staff __________ . . . . . ----------

Allowances

20. Travel and related expenses . . . . ----------
21. Other (Itemize in Schedule E) . . . . ----------
22. Advances or loans (Itemize in Schedule C advances or loans to officers or staff) . . . . ----------
23. Taxes . . . . ----------
24. Fees for legal services . . . . ----------
25. Fees for other professional services. . . . . ----------
26. Office and administrative expenses. . . . . ----------
27. Benefit payments to or for members or dependents. . . ----------
28. Contributions, gifts, grants, etc. (Itemize in Schedule F contributions, gifts, grants, etc. to officers or staff not reported as salaries or allowances.). . . ----------
29. Publications, publicity, and educational expenses . . . ----------
30. Purchase of assets. . . . . ----------
31. Other disbursements (Itemize in Schedule G) . . . . . __________
32. TOTAL CASH DISBURSEMENTS (Sum of Lines 16 through 31) . . . . $__________

33. CASH BALANCE AT THE END OF THE FISCAL YEAR (Line 15 less Line 32) . . . $--------

BALANCE SHEET

STATEMENT OF ASSETS AND LIABILITIES

		Beginning of fiscal year , 19		End of fiscal year , 19	
	ASSETS *	Amount	Total	Amount	Total
	Cash:				
1.	Petty Cash.	$		$	
2.	Revolving Funds				
3.	Checking Accounts				
4.	Savings Accounts.				
5.	Cash on Hand.		$		$
	Securities:				
6.	Government Bonds.				
7.	Nongovernment Bonds				
8.	Corporate Stock				
	Fixed Assets (Net of Reserves)				
9.	Land and Buildings (Itemize in Schedule H)[1]				
10.	Furniture and Fixtures.				
11.	Notes and Accounts Receivable (see Schedule J)				
12.	Other Assets (Itemize in Schedule K).				
13.	Total Assets.		$		$
	LIABILITIES AND NET WORTH				
14.	Accounts Payable.		$		$
15.	Notes Payable				
16.	Mortgages Payable				
17.	Other Liabilities (Itemize in Schedule L)				
18.	Total Liabilities				
19.	Net Worth - (excess of Assets over Liabilities) (line 13 less line 18).				
20.	Total Liabilities and Net Worth .		$		$

*NOTE: Assets used as security or collateral or otherwise pledged during the fiscal year must be itemized in Schedule M. If none, check: ☐ None

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[1] Although Line 9 pertains only to property held in the name of the union, Schedule H should contain a description of all land and buildings owned by the union whether held in the name of the union, or trustees, or a building corporation for the union.

GPO 926937

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CA - 57-89

November 14, 1957

The White House

Washington

THE CABINET

Agenda

8:30 AM, Friday, November 15, 1957

EXECUTIVE SESSION

****

9:30 AM

1.	Public Works Stabilization Plans	CP - 57-72	The Special Assistant to the President for Public Works Planning
2.	The Legislative Program of the Housing and Home Finance Agency	(Oral)	The Administrator, Housing and Home Finance Agency
3.	Education Proposals	(Oral)	The Secretary of Health, Education, and Welfare

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

MINUTES OF CABINET MEETING

November 15, 1957
8:30 A. M. --- 10:50 A. M.

The following were present:

President Eisenhower

Executive Session

Vice President Nixon
Sec. Dulles
Sec. Anderson
Sec. McElroy
Atty Gen Rogers
PMG Summerfield
Sec. Seaton
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage
Mr. Gordon Gray
Amb. Lodge (in part)

Gov. Adams

Regular Session

Under Sec. of Agr. True Morse
(for Sec. Benson)
Deputy Director Stans, Budget
Admin. Albert Cole, HHFA-in part
Walker Mason, HHFA - in part
R. L. Steiner, HHFA - in part
Chas. E. Slusser, HHFA - in part

Gen. Persons
Gov. Stassen
Mr. Rabb
Gen. Bragdon - in part
Gen. Goodpaster
Mr. Siciliano
Gov. Pyle
Mr. Morgan
Mr. Martin
Mr. McPhee
Mr. Patterson
Mr. Minnich

(The Executive Session was held from 8:30 to 9:35 A. M.)

Public Works Planning (CP 57-72) - Gen. Bragdon first outlined the "major plan" which would, if approved, establish a Public Works Stabilization Agency. He then developed in detail the several points in the Intermediate Plan, emphasizing that this would serve to accelerate existing projects with funds immediately available and would introduce a grant program for the States to encourage their activity. He referred also to the Advance Design Program of the 1957 Housing Bill and to the desirability of an "On Shelf" program which is not now existent. He stressed that initiation of actual construction in such an emergency public works effort should depend on the President's judgment rather than any automatic "triggering" formula such as a particular level of unemployment.

Gen. Bragdon then noted the possible objections in terms of the psychological effect on the economy from asking for standby legislation now, of presently available authority adequate for coping with any recession of the limited magnitude we would expect to encounter, and of the greater desirability perhaps of accomplishing the purpose by stages rather than by the entire Intermediate Plan. Sec. Anderson confirmed the probability of an adverse psychological impact in the present economic situation.

The President commented that psychological reasons for not doing things always seemed to exist and the fact remained that the Administration had never secured appropriate standby authority. He believed it would be useful if Congress were to authorize the President to use up to a certain amount of money for any emergency. Sec. Anderson thought that desirable. Gov. Stassen spoke in favor of standby controls which could be requested if inflation reappeared, and he believed that Gen. Bragdon's proposals might be packaged with that request. Sec. Weeks hoped this plan would not be submitted to Congress at this time. The President noted that the Administration still does not have plans "on the shelf" despite the 1952 campaign assertions of the need for having them at hand. He stated that even the plans could not be developed without sufficient funds. Sec. Weeks thought funds might be taken from the President's emergency fund since he agreed it desirable to have plans on the shelf.

Sec. Dulles suggested that this authority might be obtained from Congress in the next session in conjunction with the action to extend the Reciprocal Trade Act, since this would serve as reassurance to industries which feel threatened by Reciprocal Trade.

Sec. Mitchell believed this the wrong time to ask for authority. He then pursued the question of recession antidotes being developed in terms of construction when that activity involves a relatively large proportion of funds for materials as compared with wages, and when the wages paid are at the high rates of construction workers. Gen. Bragdon replied regarding the great number of skills put to work through construction, regarding how rapidly construction declines in any depression, and regarding the backlog of requirements, particularly in State and local areas, because of two wars. He set the latter figure at roughly $200 billion.

The President stated he did not want to rush this matter inappropriately, that he believed the present was probably not the right time for the specific bill, but that he was concerned about having plans at hand should a depression start. He felt that the planning had to be begun, that perhaps greater use could be made of the authority in the housing bill, and that the housing authority might be a useful focal point for securing somewhat increased authority. He also saw merit in Sec. Dulles' suggestion. From this combination it might be possible, he thought, to secure an authorization for a reserve of $2-1/2 billion plus authority to provide incentives for planning, and without having to tie the action to any depression concept. Gen. Bragdon thought $100 million would be needed for developing and maintaining a "shelf" project.

The President, following Mr. Stassen's renewed reference to credit controls, recalled how the Administration was rebuffed the last time it sought them.

The President concluded by directing General Bragdon to explore this some more, particularly as to related requirements, by instructing Gen. Bragdon to continue with the top level planning he has been doing, and by commenting again that this did not seem to be the time to ask for new legislation.

1959 Housing Program - Mr. Cole set forth a program designed to (1) increase State and local responsibility, (2) decrease the role of the Federal Government, (3) decrease Federal spending, and (4) increase private participation.

Mr. Cole recounted the Administration's accomplishments in housing which have helped achieve one million or more new residential starts each year until now 60% of Americans own their homes. He noted also that private funds have largely replaced Federal funds in the FNMA and Public Housing loans. He also stated that some 300 urban renewal projects have been begun in 200 localities since 1954.

Regarding public housing, Mr. Cole said that this Administration has attempted to limit it to where needed for those displaced by urban renewal or other Government action. He cited the existence of a number of projects at hand but complicated by local problems. He believed it unnecessary to decide now whether to ask for additional authority. Immediately, he recommended that the Federal-State Task Force further study the ability of States and localities to meet any remaining need, that HHFA study the possibility of developing alternative programs, and that Public Housing continue to study methods of eliminating certain of its expenditures.

Mr. Cole then proposed that FHA be authorized by the Administration to undertake a feasibility study of a program of Government guarantees for local bonds at a lower-than-market interest rate, thus serving to provide through private industry low rental projects and also to reduce Government subsidies and curtail FNMA purchases.

Mr. Cole also asked approval for a study of the possibility of transferring from FHA to private lenders the responsibility for determining loan feasibility. This would be accompanied by a new policy of FHA guaranteeing the top 20% of a loan at going rates of interest rather than a fixed FHA rate.

Regarding urban renewal, Mr. Cole said that more emphasis would be placed on rehabilitation and less on the "block busting" type projects, thus retaining many sound structures within an area to be rehabilitated. He would also recommend greater local participation in developing these projects.

The President advised Mr. Cole to consult in detail on these matters with the Council of Economic Advisers, Treasury, and Budget. He thought early action seemed very feasible on the Public Housing and urban renewal proposals. Mr. McElroy asked to have a Defense representative included in the discussions.

Sec. Mitchell inquired as to whether the Government had any responsibility for encouraging the construction industry to move toward more low-cost housing, especially when labor featherbedding seemed to cause an overpricing of current "low cost" housing. Mr. Mason believed the situation was improving, particularly because of the extensive amount of non-union construction, better land planning, etc.

Education Program - Mr. Folsom prefaced his remarks on the need for much further consultation in and out of Government before advancing definitive proposals. He reviewed the previous school construction programs, noted that the backlog of construction requirements was slowly decreasing, and that the current feeling was to put much more emphasis on the need for good teachers and less on buildings. He expressed the feeling that current sentiment worked adversely on the possibility of any school construction bill this session and that it might be better to channel Administration efforts in education toward meeting more basic needs. He felt that a package could be worked out at a total cost of about $350 million of which $100 million would be required in the first year.

Mr. Folsom then reviewed a number of charts showing deficiencies apparent in regard to graduate students, teaching facilities, and extended training of the most capable young people. He saw considerable merit in a program which would (1) assist graduate schools to expand and improve their programs, (2) provide fellowships for encouraging more qualified persons to pursue graduate study (as is now done in the health education area), (3) perhaps 20,000 scholarships annually for high school graduates, (4) improved aptitude testing of high school students, (5) improving the teaching of science and mathematics in the high schools, (6) assistance in providing facilities and equipment for technical and scientific training, and (7) incentives for improving the teaching of foreign languages.

Sec. Weeks thought that any scholarships should be limited to fields designated as essential to our national security. Mr. Folsom believed this would arouse protests from supporters of general education. The President noted that Federal scholarships in science would release private funds for general purposes, also many foundations have already earmarked extensive funds for non-scientific purposes. Mr. McElroy concurred in Mr. Folsom's view. Mr. Weeks argued that Federal scholarships were justified only by the current emergency, hence should be limited to emergency needs.

Mr. Brundage inquired as to the need for Federal money when private efforts are improving the situation. Mr. Folsom saw a need for greater speed. The President believed the situation would improve greatly as higher salaries in the affected areas attract more students, but he saw a pressing need for some Federal money.

The President suggested that Mr. Folsom discuss with Arthur Burns the latter's suggestions for giving high school and college teachers an opportunity to combine study and remunerative employment during summer vacations. He reaffirmed that a national need existed which the Federal Government must help meet but he wanted to insure that the method of assistance be so designed that the Federal Government could withdraw once the need is met. He concluded by noting the need for considerable study of any proposed program. Sec. Mitchell urged that any announcement of termination of Administration support for the school construction program should include a fully developed explanation rather than merely citing the unwillingness of Congress to act.

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

RA - 57-89

November 20, 1957

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the regular session of the Cabinet at 9:30 AM on Friday, November 15, 1957:

1. Public Works Stabilization Plans CP - 57-73

ACTION:

a) The President instructed General Bragdon to continue actively with all the necessary planning in this field.

b) This planning is specifically to include a prompt exploration of alternative approaches with respect to contingency stabilization, giving special consideration to the following suggestions made at the meeting:

i) Provide general authority for the President to take necessary actions in any emergency and to finance such actions as needed within a predetermined limit.

ii) Provide for standby anti-inflationary controls to be proposed simultaneously.

iii) Provide authority for assisting employees of firms facing unemployment because of foreign trade competition to make a transition to new work.

iv) Since the construction industry receives the primary benefits from public works projects, devise ways of assisting other areas of employment in similar fashion.

v) Investigate all possible incentives to ensure that State and local planning in this field goes ahead actively.

vi) Investigate further the possibility of accomplishing the basic purpose of CP - 57-72 and the accompanying discussion by administrative action alone.

c) Recommendation "c" of CP - 57-72 was disapproved for the time being. The President at the same time, however, strongly underscored his conviction that the Federal Government is, in the eyes of the people, clearly obligated to use its full resources to counter a situation in which such use is needed.

2. The Legislative Program of the Housing and Home Finance Agency

ACTION:

The President instructed the Director of the Bureau of the Budget to form an ad hoc interdepartmental committee to review the proposals set forth at the meeting by Mr. Cole and to prepare recommendations for subsequent Cabinet consideration. This Committee is to include among its membership, in addition to the Administrator of the Housing and Home Finance Agency, representatives of the Secretary of the Treasury, the Secretary of Defense, the Chairman of the Council of Economic Advisers and others directly concerned.

3. Education Proposals

ACTION:

The Secretary of Health, Education, and Welfare outlined five tentative legislative proposals relating primarily to the areas of needed action identified in the President's Oklahoma City speech. The objective of these proposals is designed to meet the need of such action. They will be given thorough study with the understanding that the program would be further shaped to be responsive to the national need.

Maxwell M. Rabb
Secretary to the Cabinet

IMPORTANT POINTS FROM CABINET DISCUSSION OF PUBLIC WORKS STABILIZATION PLANS -

November 15, 1957

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Anderson opposed the recommendations - said it would frighten the country. Said it was good to have the plans around and do some thinking about them, to have the agencies have plans, but not to propose any publicly at this time.

DE: This has come up time and time again - and always it is the "psychological reason" which is argued for not doing anything. There is never a "psychologically right" time.

Lodge: Now would be one of the worst times to propose this.

DE: What we really need is something broader -- i.e. authority given by the Congress, residing in the President, for emergencies of _any_ kind, with authority to use money up to a certain amount. This "emergency" could be war, or could be something else; we would say, now, it would be the possible emergency of war.

Anderson: Complimented Gen. Bragdon for his presentation; the President's suggestion should be considered.

Weeks: Opposes recommendations - from standpoint of budget and confidence of the people

DE: In the 1952 campaign, I hammered the position again and again, saying "If depression comes, we will use the full power of the federal government to combat it." In 1952, people had this on their minds. There wasn't a time in that campaign that I wasn't asked to get this point in my talk...

Weeks: But we've said this many times --- right now it would be psychologically bad.

DE: I am inclined to believe that - but the thing we are lacking is the _plans on the shelf;_ you cannot get these plans onto the shelf without money, and how do you get this money? Just to get this planning done would be a great accomplishment.

Weeks: Out of your Emergency Fund.

Dulles: Could we substitute something like this for the protectionism we will be urged to approve for affected industries -- in the coming battle on the trade agreements legislation?

Mitchell: I agree this is the wrong time to propose this - but every time we talk about anti-depression measures, we always get into public works and this means construction. Have we thought about other industries where we could spend money -- not ignoring the construction industry, but including others? Stimulate employment in other than construction fields.

Bragdon: This plan would ~~XXXXXX~~ not be limited to the construction industry. Remember: the needs _for_ construction have accumulated greatly over two wars -- something like $200 billion now.

DE: I am with the group which believes you cannot put a bill in exactly like that; but I most emphatically agree with General Bragdon that if we do not have such plans and a depression starts - a real down-turn - we will be kicked out of office fast. People will say "Here is that old Republican Administration of 1928 - not doing anything."

Our failure to put the Sputnik up first will be _nothing_ compared to the criticism we will get if we are not _ready_ with something. We must get this plan started - perhaps we have not exhausted the ways of getting this money through some kind of subterfuge.

We should find a way to get the _State_ planning done.

VP: How much money would this cost? --to get the State planning going?

DE: Cole has 8.3 million.

Bragdon: That is the $48 million revolving fund.

Cole: We are asking for 14 million for planning; we asked formerly for 6 and Congress gave us 5.

DE: Do you apply it only to particular types of construction?

Cole: Public facilities.

Bragdon: This is to help smaller communiXXtes; the problem is to help bigger cities.

DE: We should say: not only catch up in this planning, but have a shelf-full. Incentive is needed.

Bragdon: The $48 million would not be enough to build up the shelf; $100 million would be the level to keep this up. We wantX to ask for more money than the $48. million.

Why
VP: Do we need the legislation passed now?

DE: ...To authorize that incentive.

Bragdon - And to give the President the intermediate authority.

VP If we approached that kind of situation, the President could get that authority very rapidly. Why not explore how much you could get without legislation-- by administrative action?

Cole: We like this program, but the question is how much money should we ask for...

DE: Explore: a) Administrative actions and incentives and (b) how the President could have a certain sum to be used in helping those people in the transition from protectionist industries - so that those people would have jobs and could be absorbed into other industries.

(Now,) To say that we are planning about a depression might bring depression.

Bragdon: Re the VP's comment:XXXXX states need to be part of this program; only a few of them have anti-recession laws of any kind, and their legislatures do not meet very often.

DE: If we had the money, and wanted them to participate, it would be hard to do anything. There is no decision this morning -- explore these things.

Bragdon: The Major Plan is OK?

DE: All the planning which has been going on must be continued. The big question is: whether we should wait until the emergency to get this authority.

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CP - 57-72

November 4, 1957

The White House

Washington

THE CABINET

Public Works Stabilization Plans

For consideration by the Cabinet, attached is a brief paper prepared by the President's Coordinator for Public Works Planning.

The attached paper is a written precis of the oral-visual presentation which General Bragdon will make to the Cabinet at its coming meeting on November 8.

The three recommendations submitted for Cabinet concurrence and Presidential approval are stated on page 1 of the attached paper.

Maxwell M. Rabb
Secretary to the Cabinet

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THE CABINET

Public Works Stabilization Plans

Background

Pursuant to the direction of the President, the Coordinator of Public Works Planning has prepared two related plans for use in accelerating public works -- Federal, State, and local -- in the event economic circumstances dictate the necessity of such acceleration. Cabinet consideration of these plans and the recommendations of the Coordinator of Public Works Planning must take into account that the economic conditions which would exist when such plans are invoked would be wholly different from those existing today. There would be widespread unemployment and problems of inflation would no longer exist.

Recommendations

The Coordinator of Public Works Planning recommends that the Cabinet endorse and the President approve:

a. The Major Stabilization Plan outlined below with the understanding that further detailed development will follow:

b. The Intermediate Stabilization Plan outlined below with particular reference to the proposed legislation granting the President contingent authority; and

c. That the contingent legislation of the Intermediate Stabilization Plan be made a part of the 1958 legislative program of the President.

Outline Features of the Two Plans

The Intermediate Plan

The primary purpose of the Intermediate Acceleration Plan is to provide a means of securing rapid and widespread acceleration on short notice. Because of this the principal feature of this plan is the passage of Congress of stand-by enabling legislation prior to the advent of any economic turndown.

This stand-by legislation has two main objectives:

a. The development and maintenance of a shelf of completed and approved project plans.

b. Authority for the President to transfer up to $2.5 billion from unobligated Federal appropriations for use as grants-in-aid for execution of projects on the approved shelf.

As an inducement to State and local governments to design and submit for approval the necessary project plans, the proposed legislation would provide for the financing of such design work from funds now available to the Community Facilities Administration, H&HFA, or such funds as may be subsequently made available to CFA. These CFA funds are now authorized for planning advances which are repayable when construction is undertaken. The proposed legislation would have the following additional provisions:

a. If a State or local government submitted project plans to the appropriate Federal agency and left such plans "on the shelf" for at least two years, 50% of the planning advance would be forgiven.

b. If the projects thus submitted are constructed under an anti-contracyclical program, the remaining 50% of the advance will be forgiven.

The Intermediate Plan provides that those Federal agencies with competence in specific public works fields will be authorized and required to receive, review, and approve project plans submitted by State and local governments. Thus the Bureau of Public Roads would review all highway plans, the Public Health Service would review all water supply plans, and so forth.

When the President determines, with the advice of the Council of Economic Advisers, that accelerated public works are necessary to assist in stabilizing the economy, up to the $2.5 billion referred to above, may be transferred by the President for such purposes. The funds transferred may be used to augment authorized Federal or Federal-aid programs and, up to $1 billion, for grants-in-aid to State and local projects costing less than $500,000 and susceptible to being started within ninety days. This latter group would be those projects previously submitted and approved by the responsible Federal agency.

The Intermediate Plan proposes no new organization within the Federal Government. The necessary central control and direction will be exercised by the Coordinator of Public Works Planning or such other official as the President may direct. Review of plans and inspection of construction will be performed by normal Federal construction agencies.

The Major Plan

The Major Plan is designed to cope with a depression of serious proportions. As such the Intermediate Plan may be considered a prelude to an inauguration of the Major Plan. The principal differences in the Major Plan are (a) submission of enabling legislation to the Congress after a depression occurs and (b) creation of a central organization in the Federal Government to supervise the organization. This organization is tentatively titled "The Public Works Stabilization Agency."

The Major Plan, in common with the Intermediate Plan, proposes maximum use of the competence of existing Federal agencies. These agencies and their field organizations will be used to receive project applications from State and local governments, approve these applications (with stated exceptions) and supervise the work on behalf of the Federal Government.

The Public Works Stabilization Agency would be financed by direct Federal appropriations. These appropriations would be available for augmentation of Federal or Federal-aid programs. Through combinations of loans and grants any and all State-local projects might be eligible for Federal assistance. The allowable grant is tentatively established between a minimum of 30% and a maximum of 45%. No grant would be allowed on self-liquidating projects but a loan for the total cost would be permitted.

Estimated Results

In order to obtain an estimate of the results in terms of added employment which might accrue if these two plans are implemented, certain assumptions are necessary:

a. It is assumed that the maximum permissible program under the Intermediate Plan is used, involving a total added construction effort of $4.3 billion, $2.5 billion Federal and $1.8 billion State-local.

b. It is assumed that three appropriations are made in support of the Major Plan at six months, twelve months, and eighteen months, respectively, after the Intermediate Plan is started. These appropriations are estimated to total $5.5 billion, $6.5 billion, and $6.0 billion, respectively. Thus a total of $22.3 billion is assumed to be made available over an 18 month period.

Utilizing these assumed inputs, it is estimated that a total of 3,287,000 man-years of additional employment would be afforded. This would be spread over a 46-month period. Added employment at the end of six months would total 736,000 men and at the end of the first year 1,164,000 men. The peak employment would be reached in the 23rd month at 1,872,000 men. These employment estimates are for both on-site and off-site labor. They do not include secondary or induced labor in industries furnishing goods and services to those employed in the construction effort. Including these, a peak employment of approximately 3,600,000 men would be afforded.

These estimates are admittedly optimum figures but even a more conservative estimate would be much better than the experience in the 1930s when three years were required before any sizable number of persons were employed in accelerated public works.

THE WHITE HOUSE
WASHINGTON

November 14, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, November 15, 1957

As you suggested at the last Cabinet meeting, this week's meeting will open with an Executive Session to last approximately an hour (from 8:30 to 9:30 AM).

In the regular session to follow there are three items scheduled as follows:

1. Public Works Stabilization Plans (General Bragdon)

After seeing you on several occasions, General Bragdon is now prepared to present his legislative proposals for public works. A Cabinet paper summarizing his recommendations has been circulated.

These proposals involve: (a) a request for general approval of his so-called Major Plan (in case of a severe depression), and (b) a recommendation that the Administration now seek stand-by legislative authority for an Intermediate Plan -- a device whereby available funds could be quickly siphoned to public works projects in case of a moderate turn-down in the economy.

General Bragdon will put forth his recommendations with the aid of a well-designed visual presentation; I have worked with him several times to make sure that his presentation is as succinct as he can make it.

PRESENTATION TIME: 25 minutes (excluding discussion)

CABINET PAPER CP - 57-72: See Tab 1

2. **The Legislative Program of the Housing and Home Finance Agency** (Mr. Cole)

Mr. Cole wishes to raise for Cabinet discussion and for your decision as to general direction, policy questions concerning the major components of the Administration's housing program. Included among these questions will be: urban renewal and grants for college housing.

PRESENTATION TIME: 15 minutes (excluding discussion)

3. **Education Proposals** (Secretary Folsom)

Secretary Folsom has suggested that you open the discussion of this item by pointing out that the ideas which he will propose are not final and firm, but rather are being put forward for initial Cabinet reaction and discussion.

PRESENTATION TIME: 15 minutes (excluding discussion)

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

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Graduate Education

President's Committee on Education Beyond the High School termed the limited capacity of graduate schools a "Critical Bottleneck".

(The Committee did not recommend a Federal action program.)

By 1970 our college faculties must increase by 100%.

(Based on OE estimates of faculty requirements assuming that the student population would more than double by 1970.)

Present output of doctorates for all of Nation's needs, 9,000.

Annual loss of doctorate level faculty, 6,000.

(Based on an experience factor of annual loss of 5%.)

Annual minimum need for college faculty, 15,000 - 22,500.

(The 18,000 figure often used represents the midpoint in this range, which represented the President's Committee estimate of need for new college faculty.)

Percentage of all college faculty with doctorate degrees, 40%.

(This is 1953 data.)

New staff added in 1956 with doctorate degrees, 23%.

Number institutions with doctorate level graduate programs, 162.

75% of the doctorates are produced in 50 schools.

(There are a little more than 500 schools which have graduate programs at the Master level.)

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Strengthening Graduate Education

To increase supply of persons with advanced training, particularly for college teaching, a 5-year program to provide —

1. Half the cost of enabling graduate schools to expand and improve their programs.

($5 million 1st year, $9 million 2d and subsequent years. Maximum of $125,000 per year for any one school. Estimated that 100 schools would participate in 1st year, thereafter 150. Each school would submit expansion and improvement proposal. Funds could be used for salaries, supplies, and equipment. NIH teaching grants are closest analogy.)

2. Fellowships to encourage more qualified persons to pursue graduate study.

($2000 each, plus $400 for each dependent up to 3, awarded up to 3 years. Cost: $2.8 million 1st year; $7 million 2d year; $11.2 million 3d year; $12.6 million 4th year, assuming 1,000 new fellowships 1st year and 1,500 each year thereafter.)

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Loss of Able High School Students

Of the students in the top quarter of ability about 1/5 fail to finish high school; from 1/3 to 1/2 of those who finish high school fail to enter college.

The result is the underdevelopment of 200,000 of our ablest minds each year.

Major causes of this loss--lack of motivation and financial inability.

(These data are based on several small-scale studies in recent years. Nationwide data is not available although these figures have attained general acceptance.)

This is particularly serious now when our 18-year-old population is smaller than it was in 1940.

Year	Population age 18-21 (millions)	Total population (millions)	Age 18-21 % of total
1940	9.7	132	7.3%
1957	8.9	171	5.2%
1960	9.6	179	5.4%

(The population trough reflected above will begin to straighten out and even increase in proportion to the population after 1963.)

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Encouragement of Able High School Students

To encourage maximum development of secondary school student aptitudes and provide both incentives and means for further education of ablest, Federal funds would be used for --

1. Half the cost of tests -- beginning in 9th grade -- designed to identify able students at an early stage.

(Total annual cost estimated at $10 million. Both public and non-public secondary school students would be tested. Federal payments not to exceed $1.25 per student per year.) **

2. Half the cost of improving school system counselling and guidance services so as to motivate more students to continue their education.

(Funds allotted to States on population basis. On basis of half salaries of 5000 additional professional personnel, cost would be $9 million. Funds for administration of this and above might be $3.75 million.)

3. Annual scholarships for 20,000 students otherwise unable to afford higher education.*

* Of these 60% could be earmarked by the President for fields designated as essential to national security.

(At an average of $750 per scholarship, $16.5 million first year (including administration), rising to $61.5 million in fourth year. Scholarships to be awarded by State commissions on basis of character, need, and ability, consistently with general regulations established by the Commissioner of Education. Scholarships would be motivating force for proposals 1 and 2 above, not end in themselves.)

** insert

(Costs of testing in intermediate years would be shared, but after 9th grade only testing of 1/2 12th grade would be required.)

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High School Teaching of Science and Mathematics

Current shortage of science teachers	8,000
Number entering science teaching this fall	3,000
Median salary for beginning secondary school teachers	$3,600
Average beginning pay in industry for engineers	$5,200
Percent of graduates trained:	
as elementary teachers who enter teaching	81%
as high school math teachers who enter teaching	66%
as high school science teachers who enter teaching	59%

(These figures are based on OE and NEA surveys or studies. Note that some of the data pertains only to science teachers or only to math teachers. Data is not available in many instances for both categories. You will also remember a recent OE study indicated that fully half of new elementary and secondary school teachers did not intend to stay in teaching for more than 5 years.)

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High School Teaching of Science and Mathematics

To improve high school science and mathematics teaching, Federal matching funds, allocated as in existing vocational education programs on State plan basis, would be used to --

1. Strengthen State department of education leadership in improvement of curricula in basic subjects, especially science and math.

   ($25 million a year for five years allocated among States on high school population basis. Might start out, as in practical nurse training, with 75-25 matching, decline to 50-50 after second year. Would permit use for English, history, languages, as well as science and math.)

2. Enable local school systems to expand and improve science and math teaching through ~~any combination of~~ --

   (a) Employing additional qualified teachers,

   (b) Making salaries more competitive with other employment of comparable training,

   (c) Paying part of cost of equipping and/or renovating science and math teaching facilities.

($125 million a year for five years. Allocated to States as above. Distributed by States under State plans to local school systems. Amounts for each purpose would be determined by States and school systems. New building would not be included.)

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Facilities and Equipment for Technical and Science Training

By 1965 our economy will need nearly 40% more professional and technical workers.

(This statement is based on Department of Labor estimates of labor force requirements and change over the next 10 years.)

Projections of demand and supply of scientists and engineers indicate a continuing shortage for the next 10 years.

(Current projections indicate an annual deficit of about 8,000 engineers. This, of course, would tend to accumulate on top of the existing shortage. The current shortage of scientists is estimated at about 12,000 with an average annual deficit in prospect of about 3,000 a year.)

5-6 technicians are needed for each scientist and engineer, only half that ratio is now being trained.

High cost of facilities a barrier to expansion--

(a)	Short-run needs for improvement of college laboratories	$300-$500 million
(b)	Long-run needs for college science facilities	Several billion dollars
(c)	Technical training facility needs	$200-$250 million

(The short-run figure is based on a National Science Foundation survey of scientific and research facilities. In the long run it is estimated that colleges will require $18 billion in additional facilities to meet expanded enrollments--a substantial but unknown portion of this amount would be required for scientific and technical facilities. The technical training facility needs are based on increased output of technicians to a ratio of 5-6 for each engineer and scientist.)

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Scientific and Technical Teaching Facilities

To stimulate expanded and improved scientific and technical education teaching, Federal matching funds would be made available to --

Colleges, universities, and technical institutes
Community colleges

For construction and equipment of laboratories, science buildings, and other scientific and technical teaching facilities.

(Tentatively, $100 million a year for 5 years. If public institutions only were included, State plan and priority system could be adapted from Hill-Burton pattern. If non-public institutions included, direct Federal grants might be necessary. In that case, grants could be based on recommendations of State and/or regional advisory councils. In case of less-than-college grade technical training institutions, only programs for training sub-professional technicians (electronics technicians, draftsmen, etc.), not old-line vocational training, would be eligible. Josephs Committee recommended Hill-Burton type program for all kinds of non-income-producing higher education facilities.)

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Foreign Languages in the High School

Less than 14% of all high school students study a modern language.

Only 43% of all high schools offer any modern language.

Instruction programs usually do not result in conversational ability.

Russian is offered in but half a dozen high schools.

Government has an annual need for more than 7,000 people competent in 106 languages.

About 3 million Americans are living or working abroad.

(The data on the Government need was gathered at a conference of 20 Federal agencies. Currently, six agencies are independently conducting language training programs, i.e., Army, Navy, Air Force, State, CIA, and National Security Agency.)

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Foreign Language Development Program

To improve the teaching of foreign languages at all levels of education and to meet national needs in the rare foreign languages, a 5-year program to assist in providing --

1. Summer and regular session institutes and centers to upgrade foreign language teachers and college instructors, including stipends for students receiving specialized language training.

(Follows pattern established by NSF for mathematics and science - $247,500 1st year.)

2. University centers for preparing persons in rare foreign languages to meet needs of government and industry.

(Would also provide leadership for increasing supply of persons so trained - $862,000 1st year.)

3. Research programs to develop needed foreign language instructional materials.

($336,000 1st year. 1st year total, including $30,500 for other administrative costs = $1,476,000.)

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CA - 57-90

November 20, 1957

The White House

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THE CABINET

73.3

Agenda

72.

8:00 AM, Friday, November 22, 1957

EXECUTIVE SESSION

****

9:00 AM, Friday, November 22, 1957

1.	Budget Review for FY 1958 and 1959 (Note: Attendance for this item will be limited to those at the Executive Session and those specifically invited in addition)	(Oral)	The Director, Bureau of the Budget, The Secretary of the Treasury
✓ 2.	Agricultural Trade Development - Report on His Trip	(Oral)	The Secretary of Agriculture ✓
3.	Agricultural Outlook for 1958 and Proposed Legislative Program	CP - 57-74/1	The Secretary of Agriculture See Tab 3
4.	Report on the Third Meeting of the Joint Federal-State Action Committee	CI - 57-49/2 ✓✓✓	The Secretary of the Treasury ✓ See Tab 4

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Maxwell M. Rabb
Secretary to the Cabinet

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CABINET PAPER

For Action

MINUTES OF CABINET MEETING

November 22, 1957
8:00 A. M. 10:30 A. M.

The following were present:

President Eisenhower

Executive Session

Vice President Nixon
Sec. Dulles
Sec. Anderson
Sec. McElroy
Atty Gen Rogers
PMG Summerfield
Sec. Seaton
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage
Mr. Gordon Gray
Amb. Lodge

Gov. Adams

Regular Session

Under Sec. Agr. True Morse (in part)
Martin Sorkin, Agr. (in part)
Deputy Director Stans, Budget
Adm. Strauss, in part
James Smith, ICA, in part

Gen. Persons
Gov. Stassen
Mr. Siciliano, in part
Dr. Saulnier
Mr. Clarence Randall, in part
Mr. Clarence Francis, in part
Dr. Killian, in part
Gen. Goodpaster, in part
Mr. Rabb
Gov. Pyle
Mr. Morgan
Dr. Hauge
Mr. Martin
Mr. Harlow
Mr. Jack Anderson
Mr. Patterson
Mr. Minnich

(The Executive Session was held from 8:00 A. M. to 9:05 A. M.)

Budget Report - Mr. Brundage reported on current spending rates which showed major increases in Agriculture for price supports and the soil bank, in Defense where earlier expenditure lags are now being compensated, Treasury for interest, AEC, Veterans for increased compensation and housing direct loans, and HHFA for FNMA borrowings. All of these indicated expenditure of $2 billion more than originally estimated. In view of slackening receipts, Mr. Brundage believed a deficit of one-half billion dollars might occur unless Agriculture or Defense could restrain expenditures. Mr. McElroy said he would insure careful review of expenditures for such things as ammunition and military public works which had operated on less than amounts authorized in 1957 and perhaps did not have to spend now the amounts carried over.

Regarding FY 1959, Mr. Brundage said that discussions continue with questions still to be resolved in the amount of $750 million. His estimate totaled slightly over $73.5 billion. The President could not immediately see the need for the Corps of Engineers increase.

On receipts, Sec. Anderson reviewed the situation generally, then gave $73 billion as his personal and perhaps optimistic estimate for FY 1959. Dr. Saulnier agreed this might be optimistic and pointed out that the economic slackening which began in July is proceeding at a very moderate rate and is being watched closely. He thought receipts might run as low as $72 billion.

The President reported George Humphrey's feeling that the Administration must submit a lower budget this year than last as regards NOA. Sec. Benson saw some encouragement that the end of the drought had stopped that particular need for spending, but the President wryly called attention to the current disaster spending for floods.

Agriculture Trade Development - Sec. Benson recounted some of his experiences and impressions while touring the Globe. His general conclusions were that foreign countries are learning to like our agricultural products, that there is a vast potential market for these products in newly developing countries, that P. L. 480 is the best conceivable program for meeting the problems involved, and that expansion of dollar sales to these countries can occur only as they expand their industries and industrial sales.

Agricultural Legislative Program (CP 57-74/1) - Sec. Benson made an interim report on the development of the 1958 Farm Legislative Program which would probably include extension of the range of price support levels, authorization for the Secretary to increase acreage allotments above present formulas, specific programs for corn, upland cotton and wool, an administrative change regarding equity payments, required participation by the States in agricultural disaster assistance, extension and increased authorizations for P. L. 480, extension of the school milk program, packer - stockyards jurisdictional legislation, and perhaps an industrial use research program.

Regarding industrial use research, the President expressed some reservation in view of the budget squeeze and Sec. Weeks thought much further review necessary before initiation of any program.

Regarding cotton, Sec. Dulles stated his assumption that the Administration would maintain the position stated by the President on signing the long staple duties bill. He hoped serious consideration would be given to getting away from the two-price cotton policy. Sec. Weeks said it was being studied by the CFEP but that there were some indications that any immediate proposal would adversely affect the extension of the Reciprocal Trade Act. The President wanted to insure that the cotton proposal would not constitute a commitment to a two-price system. Sec. Benson asserted it would not and that, incidentally, the Department had explored a two-price rice system but refused to act on the authorization Congress had given.

Sec. Morse concluded the discussion by pointing to the tables in the Cabinet paper which show that four crops account for 82% of CCC costs.

Federal State Task Force (CI 57-49/2) - Sec. Anderson, as chairman of the Federal section of this group, reported agreements reached regarding sharing the disaster relief costs, vocational education, and urban renewal. He noted the opinion of the Governors that the Federal Government should stay away from school construction programs and their disinclination to have the school lunch program transferred back to the States because of the religious controversy that would be awakened. The President saw considerable difference between direct support to a parochial school and merely providing food for hungry and deserving children, whatever the school they attended.

Sec. Anderson reported on other subjects under consideration. He then noted the feeling of the Governors that it would be desirable to keep a group like this Task Force in existence permanently since they now realize how hard it is to stop a Federal program once started. The President and Sec. Anderson noted the interest of municipal authorities and Members of Congress in by-passing State officials. Sec. Folsom commented on how the States hated to accept any of the HEW proposals for restoring the 50-50 sharing of contributions for supplementary old age assistance.

* * * * *

The meeting concluded with a brief statement from Sec. Mitchell on automatic wage increases to take place in 1958, another on the stability of the price index this month for the first time since August, 1956, and a recommendation that the Administration could support a budget requiring some small increase in taxes which would be acceptable to the public. He felt that 1958 could be a good year if the proper psychological tone could be set.

Lam

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

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RA - 57-90

November 22, 1957

7

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the regular session of the Cabinet at 9:00 AM, Friday November 22, 1957:

1. Budget Review for FY 1958 and 1959

ACTION:

Figures for these fiscal years were presented and discussed. The Secretary of Defense will review carefully the programmed expenditures of certain activities which had relatively large unexpended balances at the end of FY 1957.

2. Agricultural Trade Development -- Report on Secretary Benson's Trip

Information Item Only.

3. Agricultural Outlook for 1958 and Proposed Legislative Program CP - 57-74/1

ACTION:

a) Other than as noted below, there was no objection to the legislative program proposals outlined on pp. 2-3-4 of CP - 57-74/1.

b) At the President's suggestion, the Secretary of Agriculture will review the proposed Administration amendment to S 304 with a view to avoiding anything which would have the effect of penalizing states which take prompt internal legislative measures concerning their eligibility and participation.

c) It was suggested that the Administration await the results of current discussions among cotton growers and spinners before announcing a final policy position with respect to cotton; it was agreed that the Administration will not commit itself to a perpetuation of any two-price system.

d) Careful review will be given to the desirability, at this time, of making any proposal for substantially increased federal expenditures on research pertaining to industrial use of agricultural products.

4. Report on the Third Meeting of the Joint Federal-State Action Committee CI - 57-49/2

Information Item Only

CABINET PAPER

For Action

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

November 21, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, November 22, 1957

There will be a continuation of last week's Executive Session; this period is expected to last from 8:00 to 9:00 AM.

The following subjects have been listed on the agenda for the regular Cabinet meeting which will be held at 9:00 AM:

1. Budget Review for FY 1958 and 1959 (Director Brundage, Secretary Anderson)

Director Brundage and Secretary Anderson wish to present not only a brief report on FY 1958 expenditures but a full review of the FY 1959 budget picture. They feel that even though not all of the detailed staff work on the FY 1959 figures has been completed, it is highly important to have this presentation before the Cabinet well prior to your meetings with the legislative leaders.

At the request of Director Brundage and Governor Adams, this item will have restricted attendance.

PRESENTATION TIME: Mr. Brundage has asked that we reserve one hour for this item, including discussion.

2. Agricultural Trade Development - Report on His Trip (Secretary Benson)

Secretary Benson has just returned from a three-week round-the-world trip, the primary mission of which was to seek out new possibilities for expanding export markets for American agricultural commodities. In conjunction with Item 3 below, he wishes to give you and the Cabinet the highlights of his observations and conclusions.

PRESENTATION TIME: 15 minutes

3. Agricultural Outlook for 1958 and Proposed Legislative Program (Secretary Benson)

The last of the legislative program discussions is now ready. Secretary Benson has prepared a Cabinet paper summarizing his proposed agricultural legislative program for next year; this paper is prefaced by his own analysis of the outlook for farmers for the next 12 months. The paper proposes a 10-step program, including the extension of PL 480 for another year and with $1.5 additional authorization. (Most of the agencies concerned concur with this recommendation, except that Budget and Dr. Saulnier feel strongly that more effective measures be proposed to make a dent in the still-increasing surplus.)

PRESENTATION TIME: Secretary Benson's remarks are expected to be 20 minutes but the discussion could run a great deal longer.

4. Report on the Third Meeting of the Federal-State Joint Action Committee (Secretary Anderson)

The third meeting of this group of Cabinet Officers and Governors was held in Washington this past weekend. As he has done following the past two meetings, Secretary Anderson will give you and the Cabinet a summary of the highlights, agreements, and unresolved questions resulting from this meeting.

PRESENTATION TIME: 10 minutes

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

SUMMARY

	1958 c	1959
RECEIPTS assuming continuation of present tax rates for another yest (1958 estimated range is from 71.8 to 73.0; 1959 estimated range is from some reduction to 1.0 billion above 1958)	72.5	73.0
EXPENDITURES 1958 based on 38.650 for DEFENSE; 1959 based on 38.7 for DEFENSE, 3.8 for Mutual Security, and other present estimates	73.0	73.6
INDICATED DEEICIT	.5	.6

BUDGET EXPENDITURES	1957- Actual	1958 Estimate	1959 Tentative
MAJOR PROTECTION			
DEFENSE - Military	38.377	38.650	38.700
Mutual Security	3.912	3.850	3.800
Atomic Energy	1.994	2.340	2.400
Stockpiling (GSA)	360	250	150
Defense Production	130	310	230
SUBTOTAL	44 773	45 400	45 280
OTHER CABINET			
Agriculture	5.021	5.858	5.256
Commerce (Except CAB)	519	602	713
Defense (Civil: Corps of Engineers)	610	630	665
HEW	2.295	2.675	2.675
Interior	572	647	650
Justice	214	223	232
Labor	417	407	414
Post Office	522	657	30
Btate	175	210	226
Treasury: INTEREST	7.312	7.861	8.000
Other	742	794	806
SUBTOTAL	18,399	20,564	19.667
OTHER AGENCIES			
Veterans Administration	4.805	5.142	4.970
General Services Ad (except stockpiling)	210	249	270
HHFA	- 31	250	374
All other	1.138	1.316	1.075
SUBTOTAL	6.172	6.957	6.689
LEGISLATION:			
Pay increases (if no absorption)			
Defense	------	-------	7700
Other	------	-------	430
PL 480	------	-------	240
Other new legislation	------	-------	160
Allowance for Contingencies	------	100	400
GRAND TOTAL	69.344	73.021	73.566

OFFICE OF
THE SECRETARY OF AGRICULTURE

November 25, 1957

Dear Brad:

Attached is a copy of the outline Secretary Benson used for the report on his trip at Cabinet meeting Friday.

As I told you on the phone, he had numerous penned notes on the original. He felt, however, that most of these were meaningful only to him and that this would give you a fair idea of the material covered.

Sincerely yours,

Miller
Miller F. Shurtleff
Administrative Assistant

Attachment

Mr. Bradley H. Patterson, Jr.
The White House

UNITED STATES DEPARTMENT OF AGRICULTURE

En Route to Washington
November 16, 1957

Secretary Benson Completes Round-The-World Trip in Interest of Agriculture.

Secretary of Agriculture Ezra Taft Benson returned today from a round-the-world trip. He left Washington on October 22.

I. PURPOSE

The purpose of the trip was (1) to observe at first hand the agricultural and economic development of the countries visited, (2) to meet government officials and trade groups in the interest of further expanding commercial exports of U. S. farm products, (3) and to observe the results of the various programs under which our agricultural products are moving abroad.

II. OFFICIALS

In order to help cover this broad field in the short time allowed for the trip, five officials of the Department, specialists in the various programs, accompanied me.

III. OBSERVATIONS:

After this trip I see our domestic agricultural problems in a wider perspective and I return to the Department of Agriculture with even greater enthusiasm for the job that lies ahead.

We visited 12 countries and Hong Kong in just over 3 weeks. While our time in each country had to be limited, we have come back with some clear impressions and conclusions.

A. It was apparent to me that many of the nations we visited are making substantial progress in strengthening their economies. This is a factor of great importance in the future foreign demand for our agricultural products.

B. In several countries where the greatest progress has been made and industrialization is on a high level, there are encouraging market opportunities for dollar sales of our farm products. At every opportunity we stressed that the best interest of our country and that of the Free World lies in preserving and strengthening normal commercial trade. As a means of bridging the gap of temporary financial difficulties, however, we also emphasized our dollar credit and barter programs.

C. In addition to the markets in the more industrialized areas, there are good potential markets for the products of American soil in the so-called underdeveloped areas. We witnessed the vigor and determination with which the people and the governments of these countries are attacking the basic economic problems and attempting to raise their living standards. Into these areas we are effectively moving large quantities of agricultural products under Title I, Public Law 480, and receiving payment in foreign currencies. $1.2 billion of these foreign currencies are being loaned back to those governments to help finance part of the local cost of economic development projects. We are also making donations and gifts for relief assistance. We noted the great need for additional food in much of the world and the great shortage in the purchasing power of many people. As the economies of these countries improve, opportunities for moving larger amounts of U. S. farm products through commercial sales should increase.

We are also using much of the sales proceeds received under Public Law 480 to pay costs of our government operations in these countries and to strengthen the defenses of the Free World.

GENERAL CONCLUSION:

There is a large element of foreign aid in our surplus disposal program and much that is now being charged to the farm program more appropriately should be classified as aid. However classified, it certainly is an important factor in the function of our foreign policy objectives.

I was gratified to find that the abundance of American agriculture is contributing to the solution of some of the most fundamental problems in many countries. We Americans can be thankful we have agricultural abundance rather than scarcity. This permits us to maintain a high standard of living at home and makes it possible to help those countries who have a difficult choice to make between using their slender foreign exchange resources in basic economic development programs or meeting the needs of great segments of their population for more food, clothing, and other necessities of life.

We are helping to meet this dilemma through Public Law 480 and the other measures we use to move our agricultural products into consumption in other countries. The world, however, must recognize that these assistance programs are temporary and that the normal commercial sales through private trade is the goal which we are continuing to seek. Until we attain a balance between our production and effective demand, we should however continue to use some of our excess production to meet emergencies, to assist in effectuating our foreign policy, and to build goodwill and understanding.

The natural flow of our farm products abroad for cash will always be an important element in the income of the American farmer. Our best salesmen are the importers, processors, and consumers abroad who rely upon our standards of quality, continuous availability of product, and the banking and other services we dan provide. We are helping to strengthen the future demand for American farm products through specific market-development activities, using many of the merchandising techniques that have been so successful here at home in these projects.

As everyone knows, we have very large supplies of most all of the basic agricultural products and our production again this year has been very large. We shall continue to do everything practicable to prevent those supplies from disrupting world markets and depressing prices to farmers at home and abroad.

Our export program has many aspects, and I think our Congress has provided us with the tools we need to accomplish the objectives.

JAPAN

1. Visited farms. Impressed with the great productivity of Japanese agriculture. On 13 million acres they produce enough to feed 72 million people (80 percent of population).

2. Japan at present our most important cash market for farm products.

3. Met with Minister of Agriculture and immediate assistants. They want a third P. L. 480 program immediately for political reasons. We've dragged feet on it. Ambassador McArthur feels, however, we should keep door slightly open next several months in case conditions change.

4. Japan needs larger markets in U. S. in order to earn the dollars to buy our products. We sell them about $400 million annually in farm products and equal amount in other products. Over recent years they have had an unfavorable balance with us of $500 million. Japan is having increasing difficulty in meeting the gap in her trade with US through hard currency earnings obtained in trade with other countries.

5. Japan now one of best markets for U. S.; she must have continually rising level of exports to pay for imports to feed her population. If she cannot expand her exports to the U. S. and Free World she will have no alternative but to increase trade with the Sino-Soviet block. At present only 3 percent of both her exports and imports are with the communist countries. Any increase in the access the Sino-Soviet bloc have to the great industrial productivity of Japan will be to the detriment of the Free World.

6. Market development programs for wheat, cotton, tobacco, soybeans and tallow show apromises of increasing demand for U. S. products. Wheat use being increased.

HONG KONG

1. Difficult refugee problem.

2. Great trading center and free-trade port.

3. Small but significant cash market.

4. Currency switches Hong Kong with other countries also make possible some U. S. sales to other Asian countries.

INDIA

1. Met Prime Minister Nehru and Agriculture Minister Jain.

2. Indians having very difficult problem finding foreign exchange to finance imports for 2nd five-year development plan.

3. They want a second huge P. L. 480 program to meet increasing food consumption and help finance domestic cost of development plan.

4. India is making good progress in development. She has major mineral deposits to exploit.

5. Opportunity to start developing some Dollar business through CCC credit program and perhaps barter.

6. REFUGEES -- Hindus.

PAKISTAN

1. Only one-half day in Karachi but met leading officials having interest in agriculture.

2. The Pakistanis have a difficult problem of political organization. Country is divided into two parts with India in between, and the people in the two parts do not always agree on major issues. Not good feeling between India and Pakistan.

3. Pakistan has made much less progress in economic development than the Indians.

4. They wanted a much larger P. L. 480 program than able to give them.

5. The prospects of developing sizable commercial markets for U. S. agricultural products is less favorable even than in India.

6. Pakistanis are proud of their unequivocal stand against communism and that they are our ally.

7. REFUGEES -- Moslems.

JORDAN

1. Met King Hussein and a number of officials in Cabinet.

2. Country is under Martial Law. Troops patrolling our Embassy. Major Jordan worry is what is happening in Syria. Refugee camp -- soldiers --.

3. Much remains to be done in Jordan to make the economy viable - if it ever can be made so.

4. They have a difficult refugee problem of some 500,000 Palestinians.

5. We had a delightful desert-lunch (Mensuf - a Bedouin banquet) with the leading tribesmen of Jordan. Lunch given by Minister of Agriculture.

6. Jordan has some good leadership in agriculture.

ISRAEL

1. Met the Prime Minister (in hospital) Ben Guiren and members of his Cabinet.

2. The Israelites are making remarkable progress in developing their resources. They are attempting to become the industrial center of the Middle East.

3. Much further progress could be made if the water problems of the area could be solved.

4. There will develop a substantial dollar market in Israel for U. S. agricultural products if and when the political problem can be solved. Believe we should start now pressing for more dollar business through larger usual marketing on P. L. 480 and CCC credit.

TURKEY

1. Met the agricultural officials and was much impressed by their forward looking spirit.

2. They are perhaps our staunchest ally in the Middle East: They have, however, very difficult financial problems - both internal and external.

3. Appears to be need for a sizable strategic reserve of wheat to back up the Turkish army. Turks want 350,000 tons for this.

4. They appear determined to proceed with development of their economy much faster than their financial resources will permit. The result is inflation at home, and serious balance of payment problems abroad.

5. Turkey grows about the same products as we do, so no large prospects for dollar sales appear likely. A series of poor crops, however,

has made it necessary for us to assist them with wheat and fats and oils under P. L. 480. This year they asked for much more than we will be able to give them.

GREECE

1. Met with the Minister of Agriculture and other officials.

2. They have a difficult economy to make viable, but they have made remarkable progress in this direction in recent years.

3. We can have a considerable dollar market in Greece in the years to come if progress in development continues.

4. The agriculture of Northern Greece needs further development which means further work on irrigation which is costly.

ITALY

1. Addressed the Conference of the F. A. O.

2. Met the Minister of Agriculture.

3. Good prospects for further development of dollar sales as Italy reshapes its agriculture to more livestock and products. This is likely to call for cuts in wheat production and increased imports of feed grains.

4. Italy has made remarkable progress in industrial production in recent years. This has increased per-capita income and purchasing power. This means further dollar trade.

5. Italy still has 2 million unemployed and her major problem is to develop southern Italy.

SPAIN

1. Met with Minister of Commerce and Secretary of Agriculture.

2. Wage increases and development expenditures have caused considerable increases in consumption, giving rise to food and fiber import requirements in excess of what can be paid for in dollars. We have met part of this by P. L. 480 sales.

3. Spain's hard currency reserves are at seriously low levels.

4. Good present possibility that Spain will buy $20 million of cotton under CCC credit if we can give them 5 years to pay.

5. This year Spain has asked for a much larger P. L. 480 program than can be approved, and they are somewhat unhappy about this.

6. The consumption of fats and oils in Spain is probably increasing at a rate faster than can be sustained on a long time basis.

PORTUGAL

1. Met the Minister of Agriculture and other officials.

2. Portugal is in good financial shape and has a viable economy with very large foreign exchange reserves.

3. Portugal provides a small but good dollar market.

4. As Portugal industrializes further, our dollar market there will increase.

5. Portugal is sustained in part by two large colonial possessions - Angola and Mozambique.

FRANCE

1. Met with the newly appointed Minister of Agriculture.

2. Wage increases in France have caused increases in consumer demand that exceed increases in productivity, causing further inflation and larger imports and a consequent drain on foreign exchange resources.

3. The Algerian problem is costing France $1 billion per year.

4. We normally have a good dollar market in France for cotton and tobacco, but this year we may need to supplement our dollar sales by some P. L. 480 and Sect. 402 cotton sales to hold our market.

5. France is a large importer of fruit, and we intend to work hard to recapture some of this market in the future.

6. The French cotton textile industry reflects general European satisfaction with U. S. cotton sales program. Price stability has created confidence. Cotton now is more competitive with synthetics.

GREAT BRITAIN

1. Met with Minister of Food and Agriculture (Heathcote-Amory), President of the Board of Trade (Eccles) and Joint Secretary of Treasury (Makins).

2. Reached understanding on P. L. 480 fruit program to maintain our traditional market there. Hereafter we should stress need for free dollar share of U. K. fruit imports.

3. U. K. is world's largest importer of agricultural products and our second best customer.

4. With the disintegration of the Empire, U. K. is having increasing difficulty in husbanding its foreign exchange resources, which in future years may affect our dollar sales.

SUMMARY NOTES ON PRINCIPAL OBSERVATIONS ON TRIP AROUND THE WORLD

October 22 - November 16, 1957

GENERAL

1. The hospitality and friendliness of the leaders and peoples of the countries visited, and particularly in the Far East and Middle East.

2. The widespread poverty and illiteracy of the people in all the under-developed countries visited.

3. The general backwardness of the agricultural segment compared with the urban.

4. The immense populations concentrated on very limited agricultural resources in the Far East. In 20 years this area has changed from a net surplus food grain area of 2 to 3 million tons to a net deficit area of 5 to 7 million tons. This has been occasioned by the excess of growth of population

over growth of food production. This great area which holds over half of the world's population is definitely the food problem area of the world - and of the future.

5. Although food production can probably be increased to keep pace with population growth for some years to come, the immense poverty and human misery of this region cannot be relieved except through industrialization, thereby creating new work opportunities and increased income for the masses.

6. Any significant expansion of dollar exports of our farm products to the Far East can only occur as the countries industrialize and come to have new things to sell abroad with which to earn additional foreign exchange.

7. The Middle East countries provide only a small dollar market for U.S. farm products. This situation is not likely to change significantly except as these countries industrialize. Planning for this is yet in its initial stages. Dollar market expansion will likely be slow in this area.

8. Industrial output continues to expand in Western Europe and we may expect a gradual expansion in our markets there except for wheat and lard.

9. Constructive use is being made of the U.S. farm products we are sending abroad under surplus disposal programs.

10. Title I demand far exceeds available funds.

11. Food donations for relief feeding.

12. Market development program making progress in Japan, Greece, Italy, Spain and France; programs in other countries being developed.

13. The general tendency of most nations visited was to strongly request aid, and condition of any country was not necessarily a good measure of how much was requested from U.S. Also a tendency by some countries to play U.S. against USSR, at least by inference.

14. Quality of U. S. Foreign Service personnel.

15. Agricultural Attaches.

16. Market outlook for U. S. agricultural commodities in CCC inventory this crop year.

WHEAT

Major suppliers of wheat will be U.S. and Canada.
Australian crop failure this year.
France already sold about 2/3 of crop.
Argentine exportable surplus very small.
Eastern Europe, including Russia, no problem.
This means more stable to firm prices for U.S. wheat farmers.

FEED GRAINS

U.S. is major supplier with Canada second with barley. Increasing demand throughout the world for feed grains. Our large stocks do not necessarily mean unusually low prices either in U.S. or abroad.

DAIRY PRODUCTS

A more realistic policy on a competitive-bid basis and a more aggressive sales policy would result in much larger quantities of U.S. dairy products moving into the world markets for dollars.

COTTON

Major problem is the uncertainty on the part of buyers in regards to the U.S. price policy for cotton. Ample market if confidence can be maintained in our price policy.

GENERAL

Inventories abroad are low and pipelines are not full. Hand-to-mouth buying is the general policy. The decline in commodity prices during past 8 months has been a major factor.

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CP - 57-74

November 14, 195

The White House

Washington

THE CABINET

Agricultural Outlook for 1958 and Proposed Legislative Program

For consideration by the Cabinet, attached is a paper prepared by the Acting Secretary of Agriculture.

The attached paper summarizes (page 1) the Department Agriculture's current best estimate of agricultural conditions in 1958.

The ten major legislative program proposals of the Department are set forth on pages 2-3.

The remaining pages of the paper give pertinent figures concerning the cost of the agricultural stabilization programs and discuss the pros and cons of other alternative approaches to the basic problem of surplus.

In considering this paper, reference should be made to approved Cabinet Paper CP - 57-66/1 of May 2, 1957.

The concurrence of the Cabinet and the general approval of the President are sought for the ten program steps set forth on pages 2 and 3.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

CABINET PAPER—PRIVILEGED

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AGRICULTURAL OUTLOOK FOR 1958

As of now, our best judgment is that in 1958:

(1) farmers will get about the same average prices as in 1957,

(2) agricultural output will remain high, and could well reach a new record, (depending upon weather)

(3) further increases in production costs may largely offset any rise in gross farm income, leaving farm operators' net realized income from farming about the same as in 1957,

(4) with increasing income from non-farm sources, (principally wages and salaries from off-farm employment), and

with decreasing numbers of persons on farms, this could mean a slight gain in per capita income of farm people,

(5) the parity index (prices paid by farmers) is likely to creep up further, resulting in a further slight drop in the parity ratio,

(6) retail food prices may rise further, because of increases in marketing charges,

(7) exports of agricultural products will continue high, but will probably be less than in the fiscal year ending June 30, 1957,

(8) stocks of wheat and cotton may again be reduced, but the carryover of feed grains will increase still further,

(9) the major change in Government programs affecting 1958 incomes is likely to be a reduction in the acreage reserve program. Government payments for price support, for the Soil Bank, and for export programs will continue to be large,

(10) farm debt will probably continue to rise, but value of farm assets will increase even more in total dollars,

(11) land values will probably go up further,

(12) farm levels of living will increase, due in part to increased income from non-farm sources.

These judgments about the 1958 outlook are based upon two main assumptions, -- assumptions that now seem to us the most realistic, but neither of which is certain:

(a) that the domestic business situation will continue strong, with no substantial letdown in production, prices, or employment, and

(b) that the uncertain international situation will not touch off another burst of inflation.

Mail and other communications from farmers have been comparatively light by way of complaint or suggested changes in handling of the farm programs.

CABINET PAPER

For Consideration

CABINET PAPER—PRIVILEGED

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LEGISLATIVE PROGRAM -- Selected Items

Most of these legislative proposals have already been presented to Congress.

1. Establish 60 to 90 percent of parity as range for price supports for cotton, wheat, rice, peanuts, and tobacco.

   The eight guidelines of the Agricultural Act of 1949 now applied to most non-basic crops would be used for these basic crops.

   The present "escalator" tables would be eliminated.

   Authorize the Secretary of Agriculture to increase acreage allotments above the present formula in the law, using such criteria as

   (a) to protect farm income,

   (b) to avoid hardship to producers,

   (c) to meet potential market demand,

   (d) to avoid undue restrictions on marketing, and

   (e) to prevent disruption in the orderly marketing of the commodity.

   The change would apply to 1959 crops and thus reduce the budget for fiscal 1960.

2. Corn -- Eliminate acreage allotments and establish 60 to 90 percent of parity as range for price supports.

   The eight guidelines of the Agricultural Act of 1949 would be applicable.

   The change would be for the 1959 crop and thus reduce the budget for fiscal 1960.

3. Upland Cotton -- Base price supports on average grade and staple of the crop, the same as for other crops. The law now specifies Middling 7/8 -- only about 5 percent of the crop is now of this specification or lower.

   Support price would be reduced about 1.1 cents per pound.

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   Would save administrative expenses and equity payments when the calculated value of the collateral exceeds the loan plus charges.

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   Funds from the 70 percent of wool duty collections used to finance the incentive payments will have been reduced from about $150 million available through the calendar year 1957 to around $8 million at the end of the 1958 marketing year (March 31, 1959). Provision will need to be made to finance any future shortage of funds from duties as compared with Wool Act costs.

   Budget requirement may be down slightly in fiscal 1959 and thereafter. The last of the 150 million pounds of government-owned surplus will be sold before the spring wool clip and markets may be stronger and thus reduce the amount of incentive payment.

6. Require State Governments to share agricultural disaster aid.

S. 304 has passed the Senate requiring 25 to 50 percent participation by states. It can be made acceptable if amended by House action to postpone the effective date for certain states.

The change would become effective primarily in fiscal 1959.

7. Extend P. L. 480 for one year to June 30, 1959 and authorize an additional $1.5 billion for Title I. This is the authority to sell surplus farm commodities for foreign currencies. (The $1.5 is a compromise reduction below the $2 billion the Department feels desirable.)

Net budget costs would be small for fiscal 1958, with some increase in 1959 and the balance in 1960 and future years.

8. Extend Special School Milk Program for two years from June 30, 1958, authorizing the present level of $75 million.

(The Department's General Counsel has again advised the Secretary that under the law the price support for dairy products must be set at the minimum of 75 percent unless there is need for a higher support to insure an adequate supply. If such action is taken effective April 1, the extension of this Special School Milk program takes on added importance.)

Budget would continue at the present level.

9. H.R. 9020 would shift certain jurisdiction under the Packer-Stockyards Act to the Federal Trade Commission. This is a compromise reported by the House Committee on Agriculture, which has the support of the Department. This is not legislation initiated by the Department but it would be desirable if it could be acted upon early in the next session.

Budget requirements would be similar -- regardless of where enforcement is provided.

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There is danger that false hopes may be built up on the assumption that a "crash" research program will solve the surplus problems in agriculture. Such results are not probable.

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1956 and 1957 Price Support and Stabilization Costs
By size and class of farms

Scale of farm product sales	Number of farms	Percent of U.S. farm marketings	Calculated portion of price support and stabilization costs			
			1956 - $1.9 billion		1957 - $3.3 bil.(est)	
			Total (Mil.)	Per farm	Total (Mil.)	Per farm
Large Scale Farms						
Sales of $5000 or more	1,290,000	79	$1,501	$1,164	$2,601	$2,021
Medium Scale Farms						
Sales of $2500 - $4999	811,000	12	228	281	396	488
Small Scale, Part-Time and Residential Farms						
Farms with less than $2500 sales	2,681,000	9	171	64	297	111

Costs of Programs Primarily for Stabilization of Farm Prices and Income - 1956 and 1957 Fiscal Years By Crops and Dairy Products

	Number of farms making sales - 1954	Fiscal 1956		Fiscal 1957 (Preliminary)	
		Million dollars* a/	Per Farm*	Million dollars* a/	Per Farm*
Wheat	868,000	$587	$676	$969	$1,116
Cotton and cottonseed	864,000	186	215	758	877
Corn	828,000	147	178	569	687
Dairy Products	1,475,000	608	412	445	302
Sub-total	- -	1,528	- -	2,741	- -
Rice	12,000	61	5,083	176	14,667
Barley	148,000	59	399	31	209
Grain Sorghums	85,000	73	859	31	365
Oats	452,000	17	38	30	66
Peanuts	116,000	12	103	23	198
All other commodities	- -	186	- -	223	- -
Total net realized cost	- -	1,936	- -	3,255	- -

a/ Rounded to nearest million.

*Note: For simplification in presentation, the above commodity figures include a pro rata distribution of "net interest and other costs". The amounts so distributed are $188 million for 1956, and $472 million for 1957.

Commodity figures in this table therefore will not agree with commodity figures in the Department's published "Statements of Realized Costs", wherein such "net interest and other costs" are not distributed to commodities.

Farms shown opposite each item are totals, for the United States, making sales. Large numbers of the farms did not take price support loans or receive direct price stabilization benefits.

SOIL BANK

Conservation Reserve continues to meet with general approval. There are many proposals to greatly expand this Reserve. Congress originally authorized $450 million annually -- last year cut to $325 million. The Department is proposing a $350 million level for 1959 and subsequent years. These are long term contracts.

Some 6.5 million acres were contracted a year ago with about 1 million acres taking all the cropland of the farms contracted. An additional 10 million acres may be contracted this year. Original goal of 25 million may thus be reached as planned.

Acreage Reserve is being widely questioned. Some think it should be terminated after 1958. Congressional actions have helped discredit the Acreage Reserve and limit its success, as follows:

(a) It was put into effect in June for 1956, against our advice due to the late date.

(b) Relief measures were made effective for 1956.

(c) In the original act our suggested authorizations were substantially increased to $750 million. In the last Session, the House cut out the entire authorization for the 1958 crop. The Senate and Conferees restored $500 million.

(d) A limit of $3,000 was placed on the amount that could be contracted on any one farm. This is a major barrier -- especially on crops like wheat, cotton, corn and rice.

Therefore, Congress has assumed major responsibility in limiting the usefulness of the Acreage Reserve and in discrediting it with the public.

The Acreage Reserve is to run through the 1959 crop according to the original plan.

The Winter Wheat contracts reached only about 36 percent of the goal. The contracted acreage for spring crops should be much larger.

There apparently has been a saving to the government on crops not produced, due to Acreage Reserve as contrasted to acquiring the crops that otherwise would have been grown.

Unless price supports can be changed the alternative to the Acreage Reserve Program is to acquire farm products and dispose of them by one means or another.

DIRECT PAYMENT PLANS

There continues to be discussion of direct payments as a government program.

A study recently completed by Department economists shows that if applied to all major farm commodities the costs might reach $7.5 billion to $10.5 billion. About 65 percent of the total would go to livestock.

Reasons why neither Congress during the past Administration nor the present Administration has accepted this approach include --

It would have to be applied to large segments of agriculture, since it could not be limited to one or even a group of commodities.

It would be extremely expensive in terms of level of payments and administrative costs -- the size of payments depend on the support level and number of commodities covered.

In the absence of controls it would overstimulate our already excessive production.

The production of export crops would be stimulated. If market prices were not supported, heavy supplies would disrupt world prices and lead to international complications, especially in sensitive areas -- examples: wheat, rice and cotton.

Farmers would become dependent on annual Congressional appropriations for a major share of their net income.

Great Britain has used a direct payment system. For the year 1956-57, the cost of agricultural guarantees in Great Britain amounted to more than $675 million, a sum equal to about three-fourths of farm operators' income.

TWO PRICE PLANS

Two-price or "domestic parity" or "self help" plans continue to be discussed. The 1956 Congress authorized the Secretary at his discretion to put into effect a two-price plan for rice. That authority has not been used and expires with the 1958 crop.

Such plans are urged usually for wheat, rice and "self help" for dairy products.

The commodity groups do not agree on the desirability of such plans.

There are major "two-price" markets now in operation. Wheat export subsidies have been costing 80 to 90 cents per bushel, rice is sold for foreign currencies, cotton sales at world markets are about 6 to 7 cents below U. S. prices, and dairy products are sold at reduced prices abroad or given free through charitable institutions.

CABINET PAPER—PRIVILEGED

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CP - 57-74/1

November 20, 1957

THE WHITE HOUSE

Washington

THE CABINET

Agricultural Outlook for 1958 and Proposed Legislative Program

For consideration by the Cabinet, attached is a paper prepared by the Secretary of Agriculture.

The attached paper summarizes (page 1) the Department of Agriculture's current best estimate of agricultural conditions and outlook for 1958.

Ten important legislative program proposals of the Department are set forth on pages 2, 3 and 4.

The remaining pages of the paper give pertinent figures concerning the cost of the agricultural stabilization programs and discuss the pros and cons of other alternative approaches to a few of the basic problems of surpluses which are being proposed by some people.

In considering this paper, reference should be made to approved Cabinet Paper CP - 57-66/1 of May 2, 1957.

The concurrence of the Cabinet and the general approval of the President are sought for the ten program steps set forth on pages 2, 3 and 4.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

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CURRENT AGRICULTURAL SITUATION

1. Farm income in the United States is increasing for the second consecutive peacetime year - the only such increases since 1947. Figured on a per farm basis, the increase from 1955 to 1956 was 7 percent.

2. Farm assets are at an all-time high and farms have only $11 in debts for each $100 of assets.

   Farm ownership is at a record high and only 1 out of 3 farms has a mortgage.

3. The value of all farm assets increased 8.6 billion dollars during the past year.

4. Exports of farm commodities totaled 4.7 billion dollars in fiscal 1957 and are at an all-time high in both quantity and value. This was 16 percent above 1952, which was our previous high and which came during the Korean conflict.

5. Surplus holdings of Commodity Credit Corporation have been reduced by approximately one-sixth during the last 16 months.

6. Family farms continue to dominate the agricultural scene - 96 percent of our farms and ranches are family operations, about the same as 30 years ago.

7. Participation by farmers in programs of soil conservation has increased 37 percent in the past four years.

8. The Soil Bank has helped reduce surpluses and supplement farm income, in addition to conserving soil and water resources for future needs.

9. The Rural Development program is underway in 30 states and is being expanded.

10. Prices received by farmers are three percent above a year ago, and the gains have been achieved primarily in the market, not through price supports.

AGRICULTURAL OUTLOOK FOR 1958

As of now, our best judgment is that in 1958:

(1) farmers will get about the same average prices as in 1957,

(2) agricultural output will remain high, and could well reach a new record, (depending upon weather)

(3) further increases in production costs may largely offset any rise in gross farm income, leaving farm operators' net realized income from farming about the same as in 1957,

(4) with increasing income from non-farm sources, (principally wages and salaries from off-farm employment), and

with decreasing numbers of persons on farms, this could mean a slight gain in per capita income of farm people,

(5) the parity index (prices paid by farmers) is likely to creep up further, resulting in a further slight drop in the parity ratio,

(6) retail food prices may rise further, because of increases in marketing charges,

CABINET PAPER

For Consideration

(7) exports of agricultural products will continue high, but will probably be less than in the fiscal year ending June 30, 1957,

(8) stocks of wheat and cotton may again be reduced, but the carryover of feed grains will increase still further,

(9) the major change in Government programs affecting 1958 incomes is likely to be a reduction in the acreage reserve program. Government payments for price support, for the Soil Bank, and for export programs will continue to be large,

(10) farm debt will probably continue to rise, but value of farm assets will increase even more in total dollars,

(11) land values will probably go up further,

(12) farm levels of living will increase, due in part to increased income from non-farm sources.

These judgments about the 1958 outlook are based upon two main assumptions, -- assumptions that now seem to us the most realistic, but neither of which is certain:

(a) that the domestic business situation will continue strong, with no substantial letdown in production, prices, or employment, and

(b) that the uncertain international situation will not touch off another burst of inflation.

Mail and other communications from farmers have been comparatively light by way of complaint or suggested changes in handling of the farm programs.

LEGISLATIVE PROGRAM -- Selected Items

Most of these legislative proposals have already been presented to Congress.

1. Establish 60 to 90 percent of parity as range for price supports for cotton, wheat, rice, peanuts, and tobacco.

   The eight guidelines of the Agricultural Act of 1949 now applied to most non-basic crops would be used for these basic crops.

   The present "escalator" tables would be eliminated.

   Authorize the Secretary of Agriculture to increase acreage allotments above the present formula in the law, using such criteria as

   (a) to protect farm income,

   (b) to avoid hardship to producers,

   (c) to meet potential market demand,

   (d) to avoid undue restrictions on marketing, and

   (e) to prevent disruption in the orderly marketing of the commodity.

   The change would apply to 1959 crops and thus reduce the budget for fiscal 1960.

Corn -- Eliminate acreage allotments and establish 60 to 90 percent of parity as range for price supports.

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The change would become effective primarily in fiscal 1959.

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Net budget costs would be small for fiscal 1958 (Est. $28 million), with some increase in 1959 (Est. $95 million) and the balance in 1960 and future years.

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(The Department's General Counsel has again advised the Secretary that under the law the price support for dairy products must be set at the minimum of 75 percent unless there is need for a higher support to insure an adequate supply. If such action is taken effective April 1, the extension of this Special School Milk program takes on added importance.)

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Costs of Price Supports and Stabilization Programs

The major Federal costs of price supports and stabilization programs is concentrated in 3 crops and butter and manufacturing dairy products. (Based on Fiscal Years 1956 and 1957)

	Percent
Wheat	30.0
Cotton	18.2
Corn	13.8
Dairy Products	20.2
Sub-Total	82.2
All other	17.8
Total	100.0

The total cost in fiscal 1956 was $1.9 billion and in 1957 was near $3.3 billion.

Some people have the impression that practically all agricultural commodities received government supports and are therefore artificially priced. This is not so.

Only items from 13 crops are in government inventory, plus manufactured dairy products and a small amount of wool soon to be sold. Our farms and ranches produce some 250 products including cattle, hogs, sheep, poultry, and tremendous quantities of fluid milk.

Over 80 percent of the price supports and stabilization costs are concentrated in just 3 crops and butter and manufactured dairy products. Nearly one-half -- 48 percent -- of the costs are incurred on the two crops of wheat and cotton.

Most farm products are being sold competitively -- on free markets.

SOIL BANK

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CABINET PAPER—PRIVILEGED

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CP - 58-74/2

January 16, 1958

The White House
Washington

THE CABINET

Special Message on Agriculture

The attached approved paper is circulated for the information of the Members of the Cabinet and their staffs.

This Message of the President was delivered at noon today; it is an outgrowth of the Cabinet discussion at the meeting of November 22, 1957 (RA - 57-90, Item 3).

The attached document is not privileged after noon of this date.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

FOR RELEASE AT 12:00 NOON (EST) JANUARY 16, 1958

CAUTION: The following message of the President scheduled for delivery to the Congress today, January 16, 1958, MUST BE HELD IN STRICT CONFIDENCE and no portion, synopsis or intimation of its contents may be given out or published UNTIL RELEASE TIME.

The same caution applies to all newspapers, radio and television commentators and news broadcasters, both in the United States and abroad.

PLEASE USE EXTREME CARE TO AVOID PREMATURE PUBLICATION OR ANNOUNCEMENT.

James C. Hagerty
Press Secretary to the President

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

The people of the United States are living in a world of rapid change. Developments both abroad and at home require re-emphasis in some of our efforts, redirection in others. This is true of defense, of education, of industry, and of labor. It is also true of agriculture.

The rapid changes taking place in agriculture are largely the result of a major breakthrough in agricultural science and technology. In recent years agriculture has been experiencing a veritable revolution in productivity.

A century ago, an American farm worker fed himself and three others. Today he feeds himself and 20 others. A century ago, our population was 82 per cent rural. Today it is only one third rural and only 12 per cent of our population actually live on farms.

Farm production per man-hour has doubled since 1940. There has been more change in agriculture within the lifetime of men now living than in the previous two thousand years.

Changes of such magnitude place great stress on our farm people and on the social, political and economic institutions which serve them. Far-reaching adjustments are being made which involve the lives and hopes of 20 million men, women and children on the farms of America.

The scientific revolution in agriculture is irreversible and is continuing. It cannot be avoided and it need not be feared. In recognition of this basic fact, we must find ways of utilizing more completely the abundance that our farm people are now able to produce; we must find ways of further expanding markets for this increased production, not only among our own citizens but among people all over the world who need the food and clothing we produce in such abundance. At the same time we must help our farm people to cope with the sometimes harsh consequences of their own unparalleled ability to produce, while preserving and strengthening free enterprise and the family farm.

Those who have fared best during the years of this agricultural revolution are the farmers on the 2,100,000 commercial farms that produce 90 per cent of the food and fiber that goes to market. Affected quite differently are the farmers on the 2,700,000 other farms that produce relatively little for sale. To them, the farm is primarily a place to live, with an opportunity to grow products for home use, for about three-fourths of their income is derived from off-farm sources.

more

Commercial family farms have their problems. So do small scale farmers, subsistence farmers and part-time farmers. The problems, however, are not always the same.

There is evidence that those farmers who produce the bulk of our farm products are meeting the problem of adjusting their operations to the changes now in progress. Moreover, there are other indications of strength in our farm economy.

Prices received by farmers on the average are running 3 per cent above those of a year ago.

During the last two years, farm net income has stabilized following several years of decline.

Farm real estate prices are at an all-time high, reflecting a basic optimism in the future earning power and security which farming and farm land ownership offer.

Three-fourths of our farms are owned by those who operate them, the highest percentage on record.

Total debt of our farm people equals only 11 per cent of total assets as compared with 19 per cent before World War II.

Exports of farm products, assisted by special government programs, reached an all-time high of 4.7 billion dollars during the year ending last June 30.

Surplus holdings of farm products in the hands of government appear to have passed their peak. Government investment in price supported commodities now stands at about seven billion dollars, one billion dollars below a year ago.

Substantial progress has been made in programs of education, research, conservation and other activities of proven merit. Work in all those areas has been substantially expanded.

With Government help, farm people, in the best American tradition, have gained bargaining power through their own farmer-owned and farmer-controlled cooperatives.

Yet key problems remain unresolved.

Rising production costs continue to limit net farm income. Prices of articles farmers buy more than doubled from 1939 to 1952. Since then they have risen 3 per cent. Prices received by farmers have not kept pace with their increased production costs. These are hard facts every farmer faces.

Moreover, acreage controls have failed to bring agricultural production into line, despite the severe restrictions they impose on the individual farmer's freedom to produce and to market his products. And unrealistic price support laws, some of which date back to the Agricultural Adjustment Act of 1938, result, as farmers now realize, in loss of markets.

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Furthermore, there are large numbers of rural people who have not benefited from price supports. Nor have they benefited as they should from the great changes underway in agriculture. In fact, some have been put at a competitive disadvantage by the onrush of farm technology and other economic changes.

This is true not only in particular rural areas of low income, but for some people in almost every farm community. There are millions of rural people who, for reasons of small farms, poor soils, limited resources, age, inadequate credit, lack of education, poor health or insufficient managerial ability, have been unable to make the adjustments called for by modern technology.

Few of the dollars spent on agricultural programs have been of appreciable help to this group.

Price supports have scant meaning to a farmer with little to sell.

Reductions in acreage to support higher prices are contrary to the needs of a farmer whose production is already too small to give him a proper livelihood.

In my special agricultural message four years ago, I indicated that the Secretary of Agriculture would give attention to the problems peculiar to farm families with low incomes. As a result, the Rural Development Program was initiated. It is widening opportunities for those rural people on the lower rungs of the economic ladder.

For under-employed farmers who desire to continue in agriculture, the Rural Development Program, in cooperation with States and localities, offers research, education, supervised credit, and cost-sharing by the Federal Government in improving land, timber and water resources. Farm and home improvements are a major part of the program.

For those who wish to supplement or replace limited farm incomes with greater income from non-farm sources, there are being established vocational training programs in trades and skills. Additional industries are being established in farming areas where more employment and higher incomes are needed. Farm families which are interested are also being informed of job opportunities in other segments of the economy.

Though only about three years old, the Rural Development Program has already achieved much, and with the increased emphasis planned for the coming year, progress promises to be more rapid in the future.

* * * * *

Recommendations:

Basic agricultural legislation now on the books was originally devised as an emergency effort to cope with a depression, then changed to help fight a war, and subsequently revised again in an effort to meet the needs of peace. It has not been adequately modified to deal with the effects of the technological revolution in agriculture. This must now be done.

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It is essential that the following major steps be taken this year to improve the status of rural people in greatest need, to aid agricultural adjustment, provide more freedom, expand markets, and, thereby, to help raise farm family income.

First: The Conservation Reserve Program of the Soil Bank should be strengthened, and the Acreage Reserve Program terminated after the 1958 crop. The Conservation Reserve has shown promise in retiring marginal acres from crop production, in aiding the cause of conservation, and in taking whole farms out of production. The program is wholly voluntary and must remain so.

Because of its late enactment, the Acreage Reserve Program was hampered during 1956 in achieving production adjustment. And although the 1957 program succeeded in reducing wheat production by about 175 million bushels, cotton by 2 million bales, and corn by 220 million bushels below what it would otherwise have been, the number of farmers participating in 1958 is likely to be low, in part because of limitations that Congress imposed on the extent of participation by any one farm. So in the future the production adjustment accomplished by the Acreage Reserve is likely to be small.

We should now shift the emphasis of the Soil Bank away from the short-term Acreage Reserve, aimed at reducing surpluses of particular crops to the long-term Conservation Reserve, aimed at overall production adjustment.

This change will aid all farmers, especially the low-income farmer, who will, if he desires, be better able to retire his entire farm from production.

Expansion of the Conservation Reserve will be an effective instrument of adjustment only if it is accompanied by needed changes in price supports. It must not become merely a means of offsetting the production stimulus supplied by price supports held continually at incentive levels.

The Budget Message recommends a Conservation Reserve Program of $450 million for the 1959 calendar year.

Second: Authority to increase acreage allotments for cotton, wheat, rice, peanuts and tobacco should be provided. Under present legislation, acreage allotments and price supports for certain of the basic crops are determined by legal formulas. Under these formulas, allotments have already been cut sharply. Allotments for certain crops are likely to be reduced even further, despite growing evidence that acreage restrictions have not brought about needed adjustments.

Authority should be provided for the Secretary of Agriculture, in accordance with criteria which the Secretary will propose to the Congress, to increase allotments up to 50 per cent above the levels determined by existing formulas.

The law already specifies that the Secretary may provide price support at levels above those determined by formula, and this authority has been used. The law should also provide authority to increase acreage allotments when the statistical formula yields results clearly contrary to the general interest. But any acreage increases must be related to price adjustments which will permit the growth of markets necessary to absorb the increased production.

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Such liberalization of acreage allotments as is possible would permit greater efficiency and higher incomes for small farmers who now are sharply restricted in the size of their operations.

Third: Acreage allotments for corn should be eliminated. The corn program has not worked. Huge surpluses have accumulated. As surpluses rise, present legislation provides that allotments must shrink. As allotments shrink, participation in the corn program dwindles. A year ago, 62 per cent of the corn farmers who voted in the referendum favored the elimination of corn acreage allotments. In 1957, only about 14 per cent of the corn production in the commercial corn area was eligible for the full price support. Thus, as allotments shrink, participation spirals downward, and price-depressing surpluses spiral upward.

Fourth: The escalator clauses in the basic law should be abolished. Provisions now in the law require that price supports be raised as soon as the surplus is reduced. This means that as one surplus is moved, incentives are automatically provided to build another. Until this basic law is changed, farm people can expect to be kept continually under the shadow of price-depressing surpluses.

The Soil Bank and surplus disposal programs have already cut deeply enough into our surplus to throw these escalator clauses into action to build more surpluses. Elimination of these escalator clauses is necessary if surplus disposal programs and the Soil Bank are to achieve their purpose.

Fifth: The overall range within which price supports may be provided should be substantially widened. Presently, price supports must be provided by rigid formula for cotton, wheat, corn, rice, peanuts, tobacco and dairy products between 75 and 90 per cent of parity. This range is too narrow to permit the growth of markets needed to absorb the production which, despite acreage controls, our farms appear certain to produce. Price supports for the above-named commodities should be determined administratively between 60 per cent and 90 per cent of parity, using the eight guidelines now provided by law for practically all other commodities. This needed change in price-support policy would open the door to market expansion, increased acreage allotments and greater freedom to produce.

For commodities like the feed grains, with respect to which the Secretary of Agriculture has had wide discretion in the past, price support has been offered at levels as high as could be justified under the criteria specified by law. This will be the Secretary's practice under the recommended legislation.

Sixth: Price supports for cotton should be based on the average quality of the crop. For cotton the law specifies that supports must be based on a grade that is far below the average quality. The law should be corrected to put cotton price supports on the same basis as for all other crops.

Seventh: The membership of the Commodity Credit Corporation Advisory Board should be enlarged and the Board's responsibilities increased. The recommended changes in determining acreage allotments and price support levels will make additional administrative discretion a necessity. To assist the Secretary of Agriculture in exercising this discretion, the bi-partisan Commodity Credit Corporation Advisory Board should be increased in number from five to seven. Members should be appointed by the President as at present, but with confirmation by the Senate. The Board should advise the Secretary regarding the establishing of price supports, determining of acreage allotments and related subjects.

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Eighth: The Agricultural Trade Development and Assistance Act should be extended. This law is one of the major authorities for moving surplus commodities. The law should be extended for one year with an additional $1.5 billion authorized for sales for foreign currencies. But it must not, however, be allowed to become a device to postpone needed production and price adjustments. The extension should be limited to one year to give Congress the opportunity for annual review.

Ninth: Research efforts aimed at increasing industrial uses of farm products should be expanded. Our farms and forests are a major source of our raw materials. To a greater degree than at present, these raw materials can be used in industry, thereby broadening markets for our abundant farm products. New uses and new markets can be developed for our surplus crops. To bring this about, increased utilization research is needed and is proposed in the Budget Message. This will be moving in the direction recommended by the President's Commission on Increased Industrial Use of Agricultural Products.

In addition to the nine steps outlined here, the Congress should, as recommended in the Budget Message, (a) extend the National Wool Act, (b) continue the special school milk program, (c) broaden the sources of funds for the Rural Electrification Administration, (d) require State participation in programs to relieve the effects of drought or other natural disaster, and (e) improve conservation accomplishment by restricting cost-sharing to those practices which achieve longer lasting conservation benefits.

* * * * * * *

These several recommendations constitute a Farm, Food and Fiber program which will assist our farmers to adjust to today's rapidly changing economy. It is a progress program that can make a substantial contribution to the well-being of America's farm families.

DWIGHT D. EISENHOWER

THE WHITE HOUSE,

January 16, 1958.

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CI - 57-49/2

November 19, 1957

The White House

Washington

THE CABINET

Summary of the Joint Federal-State Action Committee Meeting of November 14 and 15, 1957, in Washington, D. C.

For information of the members of the Cabinet and their senior staff officers concerned, attached is a summary of the third meeting of the Joint Federal-State Action Committee.

This summary has been prepared by the Executive Director for the Federal Members.

In addition to the summary of this meeting, there also appears at the end of the paper a summary of the agreements reached to date by the Joint Action Committee.

This paper is circulated as an accompaniment to the report by the Committee Chairman (The Secretary of the Treasury) at the coming Cabinet meeting.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

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November 19, 1957

The White House

Washington

THE CABINET

Summary of the Joint Federal-State Action Committee Meeting of November 14 and 15, 1957, in Washington, D. C.

1. Natural Disaster Relief - The Committee approved a schedule of minimum sums that States and localities must spend or obligate during a year for the repair and replacement of public facilities damaged by natural disasters before the Governors are eligible to apply for Federal aid. The schedule ranges from $250,000 for States with the lowest personal income to $3,000,000 for those with the highest. This action defines and generally increases State financial responsibility for natural disasters.

2. Vocational Education - The Committee agreed to the transfer of the Practical Nurse Training program to the States as soon as practicable and no later than Fiscal 1961, the present authorization. It agreed to the transfer of vocational education in the fishery trades and industry as soon as practicable. These actions, together with the vocational education agreement in Chicago October 3 and 4, would shift the entire Vocational Education work to the States. The current cost of this program to the Federal Government is $41 million a year.

3. Atomic Energy - The Committee agreed to proposals to amend the Atomic Energy Act of 1954, (a) to allow the States increased authority in the peaceful use and promotion of atomic energy, particularly in health and safety regulations, and (b) to increase Federal facilities for training State government employees in atomic energy matters. The States would pay their employees' salaries while training in Federal facilities. Agreement was also reached on the necessary actions to be recommended to State legislatures. The purpose of this action is to enable the States to assume responsibilities in the future which might otherwise fall to the Federal Government.

4. Urban Renewal - The Committee agreed that the States would take over, when and as able, the financial responsibility for making planning advances to local governments for urban renewal. These advances come to $31.5 million per year at present. The Committee also agreed to establish or expand State planning organizations for assistance to municipal governments on urban renewal, low rent housing and metropolitan problems. The purpose here is to foster State interest in these urban problems and to encourage State financial responsibility in the future.

5. School Construction - The Governors presented a suggested statement on school construction designed to keep the Federal Government out of this activity. They agreed to (a) review classroom needs in their school districts, (b) review the financial requirements of their school districts, (c) provide financial aid where necessary to school districts for construction purposes, (d) facilitate local financing by easing tax and bonding restrictions, and (e) propose constitutional changes where necessary to get the job done. As a substitute for direct Federal financing of school construction, the Governors proposed the relinquishment by the Federal Government of all its tax on local telephone service. The Federal Committee agreed to give serious study to this suggestion as part of the current review of educational needs of the Nation.

6. School Lunch and Milk Program - The Committee deferred action on the proposal to transfer full financial responsibility for these programs to the States. While the majority of Governors favored the transfer, they deferred to the few opposing it.

CABINET PAPER

For Information

7. Old Age Assistance - The Committee took no action on the suggested alternative proposals to increase State financial responsibility, and instructed the staffs to examine the problem further for consideration at a later meeting of the Committee.

8. New Problems - The staffs were instructed to examine Federal-State relationships and organization in the civil defense field, and to study certain Federal forestry grant programs. These are to be reported on at the next meeting, along with such other programs and emerging problems that Committee members might request.

9. Consultation with Municipal Groups - The Committee agreed that the joint staffs should consult, when and if necessary, with representatives of municipal groups for views and information important to the Committee.

10. Initial Report - The Committee agreed to a procedure for preparation of the initial report to be submitted to the President and to the Governors about December 1, 1957.

11. Summary of Results to Date

A. It was agreed to transfer full financial responsibility for the several Vocational Education programs and the Waste Treatment Construction grant program to the States. These currently amount to $91 million a year in Federal expenditures.

B. State financial responsibility for natural disasters was defined and increased.

C. Agreement was reached on increased State participation in planning and financing of urban renewal.

D. States want and agreed to accept increased responsibility for the peacetime uses of atomic energy.

E. The States proposed to handle the increased school construction requirements, in return for tax sources.

F. Partial relinquishment (40%) of the local telephone tax was agreed upon to cover costs of current Federal programs proposed for transfer. Some miscellaneous excises were considered for relinquishment as additional functions are shifted. A comprehensive examination of the Federal Estate Tax is being undertaken by a committee of experts to consider simplification and possible increases in State credits for the assumption of additional functions. Tobacco taxes are also being studied. Problems will be encountered by low income states in assuming these costs. Solutions such as tax equalization are being studied by the Federal staff.

11/19/57

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CA - 57-91

November 29, 1957

The White House

Washington

THE CABINET

Agenda

9:00 AM, Monday, December 2, 1957

EXECUTIVE SESSION

* * *

10:00 AM, Monday, December 2, 1957

1.	The State of the Union Message - Preliminary Discussion	(Oral)	The Honorable Arthur Larson
2.	Report from the Cabinet Committee on Small Business: Final Legislative Program Recommendations	(RA -57-85, CI -56-43)	The Chairman, Council of Economic Advisers
3.	Education Proposals	(Oral)	The Secretary of Health, Education and Welfare
4.	The Question of Stand-by Emergency Legislation	(Oral)	The Director, Office of Defense Mobilization

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

MINUTES OF CABINET MEETING

December 2, 1957
2:30 P. M. - 5:00 P. M.

The following were present:

President Eisenhower

Executive Session

Vice President Nixon
Sec. Dulles
Sec. Anderson
Sec. McElroy
AG Rogers
PMG Summerfield
Sec. Seaton
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage
Mr. Gordon Gray
Amb. Lodge

Gov. Adams

Regular Session

Under Sec. Herter
Adm. Strauss, AEC
Mr. Stans, Budget
Dr. Saulnier, CEA
Gov. Stassen

Gen. Persons
Mr. Hagerty
Gen. Goodpaster
Mr. Rabb
Dr. Killian
Mr. Morgan
Dr. Hauge
Mr. Larson
Mr. Siciliano
Mr. Randall
Mr. Martin
Gov. Pyle
Mr. Patterson
Mr. Minnich

Education Program - Sec. Folsom reported on further discussions in the development of this program and set forth present thinking in detail. He stressed that the program was being designed with great flexibility so that basic responsibilities would remain with the States, and that the program would definitely be terminated at the end of five years. The specific provisions included such things as a limited scholarship program, matching grants for improved teaching of science, mathematics, and foreign languages, for equipment, and for improvement of teacher training at the graduate level. Total cost would be $300 million. He stressed the desirability of a well-rounded program like this as preferable to the many radical proposals certain to be introduced in the next session.

Sec. Folsom said it was contemplated that the Administration would not press its school construction assistance program even though the need for more school rooms continued, since science and related educational needs must take priority.

Dr. Killian believed this a very good program, especially since it was not confined merely to science. He pointed to the particular need for helping small colleges and graduate schools. He noted the existing program of the National Science Foundation with which there would have to be close coordination.

The President inquired as to the desirability of so broad a program which might not remedy the lag in science and mathematics. He was opposed to the 75 - 25 basis for matching grants, and Sec. Folsom said that could be changed. The President wondered if sufficient attention had been given to encouraging indirectly higher pay for teachers, thus to remedy the need. Mr. Folsom believed that would not have sufficiently quick effect.

Sec. Benson expressed his concern with getting into new Federal programs and hoped alternative methods could be explored. Mr. Stassen thought it a good program since it left much room for help from private funds. Sec. Anderson was somewhat hesitant and thought that if the Federal Government did enter the field it ought to do so in a way leaving room for maximum effort and control by the States. Mr. Gray expressed some misgiving but felt it could be justified in terms of filling a particular need for a particular time only.

The President recalled Dr. Burns' suggestion for remunerated summer advancement opportunities for teachers. Mr. Folsom said he had heard from school people that this probably could not compete with high wages offered by industry. Mr. Brundage assumed the proposal would be reviewed as usual with Budget and the President commented that some of the figures would probably have to be reduced.

(The President left the meeting at this point.)

Secretaries Mitchell and Folsom discussed the need for justifying the absence of a school construction program. The Vice President thought the President had provided this justification in the Oklahoma City speech, when he said some activities would have to be increased at the cost of deferring others.

Sec. Dulles wished to observe, without unnecessarily criticizing, that any contest like this with the Russians always carried the danger of destroying what one really seeks to protect. Over-emphasis on science might cause neglect of other things which are fundamental to a free society. He was wary of warping the educational pattern for materialistic purposes of a government. Sec. Folsom responded in terms of remedying the recent drift away from science and mathematics and also of the broad features of the proposal. Mr. Stassen gave further support to the proposal and the Vice President concluded that close attention must be given to keeping presentation of it in proper balance.

State of the Union Message - In a rapid general discussion, there was unanimous agreement that the State of the Union Message should be much shorter this year and that detailed material should be reserved for special messages. It was felt that the President's emphasis should be reserved for the critical items of immediate interest to the Nation.

Stand-by Emergency Legislation - The Vice President noted that this subject might arise at the Leadership Meeting the next day and asked whether the Administration view remained the same as in 1955 when it would have been glad to have such authority but did not seek to press for it. Sec. Weeks hoped no hasty decision would be made to seek this legislation after all the careful thought previously given to it without any showing of necessity.

Pay Increases - The Vice President asked whether Sec. McElroy would be discussing the Cordiner proposals at the Legislative Meeting and whether an irrevocable decision had been reached. Sec. Anderson, noting the budget squeeze and somewhat increased unemployment, thought it might be preferable to leave the initiative with the Congress and to confine any Cordiner action to an area of strict military security need.

Sec. Mitchell thought it inevitable that Congress would increase salaries and that the real question was how could the Administration secure the most desirable action. He felt that military pay could not be increased while civilian pay was neglected. The Postmaster General pointed out that any rate increase must be accompanied by a pay increase, and that some pay increases would be desirable as an anti-cyclical measure. Mr. Folsom pointed to the urgent need for action with regard to highest grades. Mr. Seaton was concerned with the probable adverse public reaction to Government pay increases in the current situation. Mr. Rogers reaffirmed Mr. Seaton's views, as did also Mr. Benson. Gov. Stassen favored the increase for economic reasons and to correct existing inequities. Mr. Brundage thought this item might be the margin of a deficit budget. Mr. McElroy felt certain that Congress would increase salaries in any event and that previous Administration expressions of support for the work of the Cordiner Committee pretty well precluded a change of position now. Gov. Adams recalled the rationale of the

President's veto message and the need for looking at the equities of the situation in the light of recent increases in the cost of living.

The Vice President asked Governor Adams to relay this discussion to the President, who must make the decision. Governor Adams added that the proposal would be looked over very carefully prior to final decision, even though the Administration had already started to cross the bridge. And finally, the problem of retaining scientific and engineering personnel in government was one that somehow had to be done.

LAM

L. A. Minnich, Jr.

Copies to:
  Mrs. Whitman (2) ✓
  Mr. Rabb
  Mr. Minnich

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December 3, 1957

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the regular session of the Cabinet at 3:30 PM, Monday, December 2, 1957:

1. The State of the Union Message - Preliminary Discussion

   ACTION:

   Following a discussion of the tone and content of the Message, the request was made that in those cases where the earlier written State of the Union submissions are now out of date because of program changes, the respective Cabinet officers send in new material. This material should be addressed to the Secretary to the Cabinet.

2. Report from the Cabinet Committee on Small Business: Final Legislative Program Recommendations

   ACTION:

   Deferred to a later meeting.

3. Education Proposals

   ACTION:

   a) The Cabinet noted and discussed the proposed program which was presented by the Secretary of Health, Education, and Welfare.

   b) The President suggested that in no provision calling for matching of Federal funds should the percentage of the Federal contribution exceed 50%.

   c) The estimated individual cost figures for the specific parts of the proposed program will undergo usual review procedures in connection with final work on the FY 1959 budget.

   d) Administration proposals of previous years for aid to school construction should, this year, be considered and labeled as "desirable but deferable" in the light of programs contributing more directly to the national security.

4. **The Question of Stand-by Emergency Legislation**

ACTION:

It was agreed that the Administration will not propose emergency stand-by legislation this year. With respect to any such legislation initiated by the Congress, the Administration will determine its position based on the merits of the particular proposal and the circumstances at the time.

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

December 2, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Monday, December 2

The following items are listed on the agenda for the Cabinet meeting today:

1. Progress Report on the State of the Union Message (Mr. Larson)

This is the most important item on the agenda, and vital for the Cabinet as a whole. Arthur Larson will have a first draft of sorts ready today. (The actual speechwriting has not gone ahead faster because the programs themselves have been slow in becoming finalized.) At Cabinet, Mr. Larson would very much like to discuss, not the text of the draft itself, but rather the general framework and tone of the Message. If it is to be sent rather than delivered orally, this will have a bearing on its composition. Mr. Larson would particularly like to have comments, advice, and guidance from the members of the Cabinet, in order that his contribution can be responsive to the feelings of the Administration in this particular period.

PRESENTATION TIME: 5 minutes

2. Report from the Cabinet Committee on Small Business: Final Legislative Recommendations (Dr. Saulnier)

In the earlier Cabinet review of legislative program proposals in this field (October 18), certain aspects of small business problems, i.e., tax policy and credit policy, were left for further staff development and subsequent consideration. Dr. Saulnier, the Chairman of the Cabinet Committee, is now ready with the Committee's final recommendations on the small business "package."

PRESENTATION TIME: 15 minutes

3. Education Proposals (Secretary Folsom)

Much further consideration and consultation are necessary here, as was brought out at the November 15th Cabinet meeting which considered Secretary Folsom's tentative suggestions. Now that he has had the opportunity for this consultation, his recommendations are in more firm shape and thus ready for final Cabinet discussion.

PRESENTATION TIME: 15 minutes

4. The Question of Stand-by Emergency Legislation (Director Gray)

Gordon Gray has a legislative program problem which he and Mr. Brundage feel should be brought up at Cabinet for comment and reaction. This is the question of what position the Administration should take this year with respect to general stand-by emergency legislation (i.e., the draft War Resources Act giving authority for priorities, requisitioning, expansion of production, plant seizure, emergency foreign assistance, price and wage stabilization, control of consumer and real estate credit, manpower controls, etc.). In the past, the Administration has not supported the stand-by enactment of this legislation. Mr. Gray is not proposing that we now support it, but merely wishes to raise the question, so that it could never be said that the problem was not considered.

PRESENTATION TIME: 5 minutes

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

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CA - 58-92
January 2, 1958

The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday, January 3, 1958

1.	The State of the Union Message	CP - 58-76	The President, Mr. Larson
2.	Interest Rates Paid and Charged by Government Lending Agencies	CP - 57-75	The Director, Bureau of the Budget ✓
3.	A Suggested Approach for Presenting the Budget to the Country	(Oral) ✓	The Secretary of the Treasury ✓
4.	Suggestions Resulting from Conferences with Chairmen of the Congressional Committees	(Oral)	The Vice President ✓

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Briefing on Defense Department	(Oral)	The Secretary of Defense, The Deputy Secretary of Defense, Assistant Secretary of Defense McNeil

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

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E.O. 11652, Section 1
By GWC NLE, Date 9-27-77

MINUTES OF CABINET MEETING

January 3, 1958
9:00 A. M. -- 12:30 P. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Anderson
Sec. McElroy
Mr. Rogers
Mr. Summerfield
Sec. Seaton
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage
Mr. Gordon Gray
Dr. Saulnier

Under Sec. of Defense Quarles
Asst. Sec. McNeil - in part
Judge Walsh, Deputy AG - in part
Mr. Stans, Budget
Mr. Cole, HHFA - in part
Mr. Whittier, VA - in part
Mr. Tootell, Farm Credit
Mr. Robertson, Federal Home Loan Bank Board

Gov. Adams
Gen. Persons
Mr. Rabb
Gov. Stassen
Dr. Killian - in part
Adm. Strauss - in part
Mr. Randall - in part
Mr. Siciliano - in part
Gen. Cutler
Mr. Hagerty - in part
Mr. Morgan - in part
Dr. Hauge
Mr. Larson
Mrs. Wheaton
Gov. Pyle
Mr. Harlow
Gen. Goodpaster
Mr. McCabe
Mr. Patterson
Mr. Martin
Mr. Minnich

State of the Union Message (CP 58-76) - The Cabinet discussed in great detail the content and wording of the message, each Cabinet member having full opportunity to suggest changes so as to achieve precisely the right tone and shade of meaning.

Some of the more significant comments follow:

The President stressed the desire to talk common sense, because so vast a part of America is common sense-minded and have made it evident by newspapers other than in New York and Washington.

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 9-26-77

Sec. Dulles believed that care should be taken to avoid emphasis on military "superiority", a concept that could only result in invidious comparisons. He preferred to stand on the concept of having sufficient military power to deter aggression.

Sec. Dulles favored giving attention to the fact that new hazards result from the advent of any new weapons but that the destructive potential of missiles is not greatly different in character or scope than what could be delivered by the bombers against which we have made our preparations.

The President felt that, although he needed to refer to the increased rate of missile development in recent years, he ought not try to pin precisely the party responsibilities involved, especially since his major effort must be directed to constructive accomplishment while others would have opportunity to establish any other pertinent facts.

The President recounted for the Cabinet how the Administration set out at the beginning to take a new look at national security, particularly with regard to modern weapons, and how the Killian Committee was set up in 1954 to make some necessary studies which were reported to the NSC in 1955.

Dr. Killian pointed to the need for discussion by the military experts of the paragraph relating to the retaliatory power of the Strategic Air Command, which might be actually too categorical. Sec. Dulles reiterated his point that only the means of delivery had been changed, then added that the major need was for something to provide greater warning. The President commented that the possibility of the Russians having intercontinental missiles before we do was not catastrophic since that by no means removed the power of our bombers.

Sec. Folsom stressed the need for sacrifice by the American people by way of eliminating luxury items so as to allow not only for security planning but also for other necessities such as schools and hospitals. The President agreed that the country is capable of making all necessary sacrifices at a time when we must concentrate on essentials rather than non-essentials.

Sec. Dulles saw some possibility that the message would be criticized as being on the complacent side and he called attention to the various forms of the Russian threat, especially economic warfare. Yet he believed the resourcefulness of a free society would always overcome the rigidity of a bureaucracy.

At the President's request, Mr. McElroy read the current draft of the section on Defense Reorganization in which the President would outline the governing principles without yet stating specific changes. This led

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By DHC NLE, Date 9-26-77

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the President to recall his long interest in the matter. In reply to a comment on the apparent absence of Administration activity in this field, the President quickly cited the earlier effort which had produced only a "useless thing". He emphasized the control now possessed by the three services by virtue of direct appropriations to them, and he commented that the handling of missiles programs had been hurt by self-styled experts at Congressional hearings. He felt that interpretations like Rep. Vinson's ('this is just long range artillery') consisted of taking something that is wrong to start with and trying to build on it. He explained his feeling that it would be best for the study to be made by others than himself since he had had such positive convictions for so long a time.

The Vice President hoped the message would contain at least a sentence on the great increase in Russian economic efforts.

Sec. Mitchell felt that the message ought to be more explicit as to the purpose of our mission and he asked if it were not mainly to fight Communism. The President commented that he knew of no great problem today but what it is tied to the Communist threat.

In discussing the Education Section of the State of the Union message, the President noted Dr. Milton Eisenhower's apprehensions especially as to singling out the pay of science teachers for improvement. The President felt that the Administration program should stay away from salaries.

Regarding the section on sacrifices, the President said that somehow the United States had to put on hair shirt and sackcloth yet avoid scaring people.

Popularizing the Administration Program - Sec. Anderson referred to the desirability of having people familiar with the general nature of the budget message in good time so as to prevent any rush of adverse criticism from dominating the scene. It was agreed that the Cabinet Secretary should coordinate the efforts of the individual Cabinet members so as to avoid duplications.

The President noted that he would not this year allow advance copies of his State of the Union message to be distributed throughout Congress since he had gotten the feeling that he might just as well not appear personally before the Congress when they were all so busy reading the mimeograph copies.

(The President left the meeting at this point.)

The Vice President remarked that the series of speeches around January 20th (inauguration anniversary) would furnish good opportunity for speakers to develop support for the new budget. He recalled that

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the Administration had a fine five-year record of accomplishment that should not be allowed to be obscured by opposition efforts to dominate the press.

Interest Rate on Government Loans (CP 57-75) - Mr. Brundage noted the status of this paper. Sec. Mitchell ascertained that trust funds are now excluded from the effect of the proposed legislation. Sec. Benson affirmed his belief that legislation on the subject must be general in nature rather than attempting to deal with any one agency at one time. He felt that asking for a broad authority to include administrative changes in addition would endanger the chances of getting approval.

Sec. Dulles voiced State's objection to requiring specific exemptions by the President on loans under the Development Loan Fund since this would make negotiations very difficult. Yet it was Administration policy to turn from grants to loans and this could not be done at "going" rates of interest.

Sec. Seaton noted that the Corps of Engineers does not assess charges as is done in the Reclamation Bureau program. Also he noted that this legislation would probably have the effect of decreasing the rate of interest on loans to commercial fisheries.

Mr. Stassen, Sec. Anderson, Sec. Seaton and the Vice President all questioned the desirability of pressing for this legislation under the current economic situation. Mr. Anderson particularly thought that the Administration's effort should be reserved to support the primary and urgent programs of the President. Dr. Saulnier called attention to some specific needs that would be filled by this bill and would help restore vigor to the economy. He suggested that if the general bill were held in abeyance, the Administration should move forward on specifics that have to be accorded for the good of the economy, such as the VA loan rate.

It was agreed that the matter should be returned to the Cabinet for further consideration at another time.

Defense Department Program - For the benefit of Cabinet members who could remain and who had not heard this at the NSC meeting, Asst. Sec. McNeil gave an extensive briefing on the FY 1959 Defense budget. He reviewed the procedure used in developing the budget which now reached slightly over $39 billion in NOA and nearly $40 billion in expenditures. He pointed out that provision had been made over and beyond the original $38 billion concept for (1) Cordiner implementation, (2) SAC Alert and Dispersal, (3) Ballistic Missile Detection, (4) Ballistic Missile Acceleration, (5) Satellite and Outer Space Programs, (6) Anti-sub Warfare Capabilities, (7) Increased Research and Development, (8) Modernization of Pentomic Divisions, and (9) Force Levels.

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Mr. McNeil also stressed that the decision had been made to go ahead with both Thor and Jupiter, to put Polaris into production, and to increase the pace of work on Atlas.

He stressed that the services would be numerically smaller but more powerful and better equipped. He noted also that over 75% of $15 billion procurement money would be spent for items that were not even on the market in 1955.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

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RA - 58-92

January 3, 1958

CABINET PAPER—PRIVILEGED

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The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, January 3, 1958:

1. The State of the Union Message CP - 58-76

ACTION:

Based on the morning discussion, and on other conferences and contributions to be received from Cabinet Members, Mr. Larson will prepare a revised version of the Message for Presidential review.

2. Interest Rates Paid and Charged by Government Lending Agencies CP - 57-75

ACTION:

After preliminary discussion, it was agreed to defer further Cabinet consideration of this paper for approximately two months.

ADDITIONAL ITEMS

A. The FY 1959 Budget

ACTION:

1) The Secretary to the Cabinet early next week will communicate personally with each Cabinet Member regarding implementation of this item.

2) The Secretary of the Cabinet will arrange with the Director of the Bureau of the Budget for appropriate oral and/or written informational material concerning the FY 1959 budget for the convenience of Cabinet Members.

B. Speeches on January 20

ACTION:

The Secretary to the Cabinet will coordinate the preparation of useful background material for the convenience of Cabinet Members.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

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COPY NUMBER: 27

CP - 58-76
January 2, 1958

The White House
Washington

THE CABINET

State of the Union Message, 1958

PERSONAL AND EYES ONLY FOR CABINET MEMBERS

For consideration by the Members of the Cabinet attached is a copy of a draft of the State of the Union Message for 1958.

This copy is for the exclusive personal use of Cabinet Members alone; it is scheduled for discussion at the Cabinet meeting of Friday, January 3, 1958.

Each Cabinet Member is requested to take special precautions to protect the privileged nature of this document.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

COPY NUMBER: 27
CP - 58-76.
January 2, 1958

The White House
Washington

THE CABINET

State of The Union Message, 1958

Mr. President, Mr. Speaker, Members of the 85th Congress:

The purpose of the State of the Union Message is traditionally that of appraising where we stand as a nation, and of charting a course of action for the future.

In past years, this appraisal has often covered almost every aspect of our national life, with considerable attention to the state of the economy. This year I am departing from this practice. I shall deal with the economic outlook in my Economic Message next week, with legislative and fiscal proposals generally in the Budget Message, and with special programs, such as those for Agriculture and Labor, in separate messages to the Congress.

In the meantime, may I make a brief observation about our domestic economy. We have just concluded another prosperous year. Our output was once more the greatest in the nation's history. However, in the latter part of the year, a moderate decline in employment and output occurred, following the exceptionally rapid expansion of recent years. In a free economy, reflecting as it does the independent judgments of millions of concerns and consumers, growth typically moves forward somewhat unevenly. But the basic forces of growth remain unimpaired. There are solid grounds for confidence that economic growth will be resumed without an extended interruption.

If our history teaches us anything, it is this lesson: so far as the economic potential of our nation is concerned, the realists have always been the optimists!

Today I shall devote my message entirely to asking and answering three questions:

First: What are the main demands -- new and continuing -- that face us in the period ahead?

Second: What are the sources of strength at our disposal?

Third: What specific actions are needed to bring these sources of strength more effectively to bear upon these demands?

I.

The Demands of our Times

There are two tasks laid upon us by our times that far outweigh all others. These tasks are: first, to ensure our safety through strength of any required kind; second, to do the constructive work of building a genuine peace.

As to the first, in a television talk last November, I voiced this conviction: We now have a degree of strength whose deterrent power is the main guarantee of peace; but, unless we act wisely and promptly, we could fall behind.

I am convinced that every man, woman and child in America will today join me in saying: We shall maintain that necessary strength!

But we could make no more tragic mistake than to stop there.

For if we did no more than concentrate on military superiority, the future would hold nothing for the world but an Age of Terror. As armaments grew in quantity and destructiveness, so too would tensions, fears, misunderstandings, and hatreds.

Secure our defenses we must -- and will. But we must never become so preoccupied with this necessity that we neglect internally or externally, those areas of economic development, trade, diplomacy, education, and ideas where we must do the real work of crating the conditions in which peace can grow.

Therefore, the actions that I shall propose to you today will be actions designed to build safety, and to build peace.

II.

Our Sources of Strength

Now let us look at our sources of strength.

We may begin by analyzing our military power.

It serves the cause of security by making prohibitive the cost of any aggressive attack against us.

It serves the cause of peace by holding up a shield behind which the patient constructive work of peace can go on.

But it can serve neither cause if we make either of two mistakes. The one would be to overestimate our strength, and thus neglect vitally important actions in the period just ahead. The other would be to underestimate our strength, and thereby be tempted to cringe in our foreign relations, to dishearten our friends, and to lose our national poise and perspective in solving intelligently the complex problems ahead.

Considering, then, our first asset: At present, the tremendous retaliatory power of our Strategic Air Command and the aircraft of our Navy presents to any attacker who would unleash war upon the world the prospect of virtual annihilation of his own country. This power to retaliate exists even if we assume a surprise attack against our bases. Anyone who tells you that this power can be wiped out in a single surprise assault is -- if I may use the most charitable term -- just misinformed. In spite of such an attack, our bombers would be immediately on their way in sufficient strength to carry out their devastating mission of retaliation -- and the Kremlin knows it.

This is the position as of today. As for the period ahead: under the actions I shall propose today, this deterrent capability of our manned aircraft will extend well into the period when ballistic missiles will be available to us in quantity.

As to these ballistic missiles: the Intermediate Ballistic Missiles, THOR and JUPITER, have already been ordered into production. The development of the submarine-based missile, POLARIS, has progressed so rapidly that its future procurement schedules are being substantially advanced. The great progress in the intercontinental ballistic missile effort ensures that it will become a practicable weapon in time to substitute effectively for part of our long-range bomber strength. I am confident that the United States will achieve satisfactory operational missile systems at an early date.

These are remarkable achievements in terms of rate of progress, when it is remembered that our country has concentrated on these missiles for only four years -- a third as long as the Soviets. In 1953, we spent only about one million dollars on the longer range ballistic missiles. In 1957 we spent one billion dollars on the ATLAS, TITAN, THOR, JUPITER, and POLARIS.

Our striking forces today are the most powerful in history -- both in weapons and in the means for their delivery anywhere in the world. The Russians also have capabilities with conventional bombers and high-yield weapons, although their capabilities do not match ours. However, it is quite likely that Russia will have some ICBM's available for strategic bombardment before our own ballistic missiles are operational. While this likelihood is unpleasant, it is not catastrophic, nor does it mean that we will not have an adequate response.

Our real problem, then, is not our strength today: it is rather the vital necessity of action today to ensure our strength tomorrow. I repeat: if we act wisely and promptly we shall continue to have the strength to meet the stern challenges which lie ahead.

So far I have spoken only of our strength as a single country. But we are not alone.

Our second asset -- a tremendous one -- is the fact that we are part of a community of strong free nations.

Because they are free, they differ from time to time. But they are firmly bound together by strong bonds of common purposes. These purposes include a common determination to remain free, to be secure from predatory attacks, and to strengthen our economies, both as a security measure and as a means of advancing living standards for all our people. This determination is repeatedly demonstrated in the constructive activities of such groups as NATO and the Orgánizatin of American States

By contrast, the Soviet Union has surrounded itself with sullen satellites. Like a crack in the crust of an uneasily sleeping volcano, the Hungarian uprising revealed the depth and intensity of the patriotic fire that still burns among these countries.

A third major source of strength, and one vital to the security and peace of the entire free world, continues to be the enormous productivity of our free economy.

Although the Soviet Union is spending as much on defense as the United States, our national product is three times that of the Soviets. In this comparison we have a measure both of the threat we face and of the resources we have to meet that threat. Plainly, our mighty engine of production has more than enough reserve power to meet any such threat, and at the same time to maintain a civilized society which affords growing rewards to our people.

Our independent farmers produce a super-abundance of food and fiber. Our free workers are adaptable, intelligent and hard-working. Our enterprisers are imaginative and daring.

If, then, we continue to recognize the crucial importance of maintaining a sound economy and if we use these vast economic forces creatively in our foreign policy, the productivity of the free world will continue to be a great force for security and peace.

Our fourth significant asset is our educational and research establishment.

We have had universal free public education for generations, a fact which has provided both depth and breadth in the intellectual base upon which we build. At least three-fourths of our students reach the three top high school grades, compared with only about a third in Russia. Moreover, three or four times as many American students go on to colleges or universities.

We are deeply conscious of the shortcomings of our system, and we propose to remedy them. But, having said this, I go on to say: All in all, as a method of releasing the powers of the free mind and spirit, our system of education is one of which Americans can justly be proud!

Our efforts, of course, must be addressed to the twin objectives of elevating the quality of our schooling in general, and of more sharply bringing it to bear upon the specific needs of the era which lies ahead.

We can and will do these things. And we will do them our way!

As to research: our public and private facilities for both basic and applied research are extensive and varied.

The fifth and final asset I shall mention is the greatest of all.

It is the truth and justice of what we stand for.

We have consistently opposed violence and aggression, not just in words, but in actions. It would be unthinkable for us to harbor aggressive intentions against any nation.

Our whole history and outlook have always favored the emergence of all peoples toward self-realization.

The record of the past troubled decade shows one concrete action after another going much more than half way in the effort to build a genuine peace: our unilateral disarmament after World War II, our Atoms for Peace proposal, our Open Skies plan, our proposals in 1955 for exchanges of all kinds to improve communication with the people of Russia, our first-step disarmament plan with its authentic guarantee of enforcement.

And we share with people throughout the world a love for personal and national freedom, a sense of basic justice, a natural human desire to possess the fruits of our labors, an urge to realize the full potentialities of our talents and abilities, and a reverence for the will of a Supreme Being.

But our ideas and ideals, sound and appealing as they are, can help us little if they are not made known, both through adequate information activities and, even more important, through our actions at home and around the world.

Shall we be put off from stating the rightness of our cause by cynics who sneer at this as "moralizing"?

If it be "moralizing" to declare before the world that we are struggling, not for naked power, but for the enduring values of liberty, decency, honesty, piety, justice and compassion, then, I say, let us do more of it, not less!

For in the arsenal of today's contest, the explosive power of the mightiest nuclear bomb is as nothing compared with the explosive power of truth on the minds of men!

III.

Specific Actions

I now place before you a program of seven major actions, designed to focus the resources I have discussed upon the two tasks of security and peace.

There are, of course, many other actions in the Administration's legislative program, most of which bear, in varying degree, on these objectives. I shall this year discuss the most important of these other actions in separate messages.

The seven actions I am about to list, however, bear so directly upon safety and peace that they are in a class of immediacy by themselves. They are not merely desirable. They are imperative.

1.

Defense Reorganization

[This section will be added later.]

2.

Accelerated Defense Effort

The second major action item is the acceleration of the defense effort in particular areas affected by the fast pace of scientific and technological advance.

Let me list the actions required:

We must have sure warning in case of attack, and we must be equipped and ready to thwart any attack, including a missile attack.

We must protect and disperse our striking forces and maintain them alert.

We must achieve superiority in missiles and keep superiority in manned aircraft to keep our striking forces modern and powerful.

We must maintain freedom of the seas.

We must maintain powerful mobile forces to assist our allies should there be need.

We must be bold and forward-looking in our research and development to achieve the unimagined weapons of the future.

We must provide increases in military pay and incentives to insure the skilled manpower modern military forces require.

All this requires a substantial increase in appropriations. But more appropriating of money is not in itself the solution to our problems. The money must be carefully applied to the right objects. Indiscriminate spending of additional billions of dollars could be more harmful than helpful.

We must remember that we are working for peace as we work for security. An arms build-up beyond our defensive needs could not only be wasteful but also be misinterpreted abroad as an indication of aggressive intent.

To help offset the increase I have mentioned, I have approved a number of cuts in less essential defense equipment and installations.

The net result is a requirement for a supplemental defense appropriation of $1.3 billion for the balance of fiscal year 1958 and an appropriation of $39.1 billion for fiscal year 1959. This 1959 figure is an increase of $3.8 billion over the amount Congress has so far appropriated for fiscal year 1958.

3.

Mutual Aid

Third: We must continue to strengthen our mutual security efforts.

As for our assistance to the collective defense of free nations, I am sure most people by now realize that this program is an integral part of our own defense effort. If the edges of the Free World structure were progressively allowed to crumble under the pressure of Communist imperialism, the entire house of freedom would be in danger of collapse.

As for mutual economic aid, our efforts must be maintained and increased.

The benefit to us is three-fold. First, these countries become bulwarks against Communist encroachment in the measure that their military defenses and economies are strengthened. Nations that are conscious of a of a steady improvement in their industry, education, health and standard of living are not apt to fall prey to communist imperialism. Second, these countries reach the point where mutually profitable trade can expand between them and us. Third, the mutual confidence that comes from working together on human betterment creates an atmosphere in which real understanding and peace can flourish.

In proposals this year for economic aid, I am heavily stressing a greater use of repayable loans. The Development Loan Fund, which Congress approved last year, should have the additional funds needed to perform its function of helping finance fundamental necessities of development in countries as yet unable to obtain regular loans for the purpose.

I am also requesting $2 billion additional obligational authority for loans by the Export-Import Bank. These loans are repayable in dollars.

It is still our objective to encourage shifting to use of regular capital sources as rapidly as a particular country's economy permits.

One more word about mutual economic aid.

The greatest obstacle to this program, in the past, has been not a rational argument against it on the merits, but a catchword: "give-away program."

The real fact is that no investment we make in our own security and peace can pay us greater dividends than reasonable amounts of needed economic aid to friendly nations.

Let's stick to facts!

This is no "give-away." And we cannot afford to have one of our most essential security programs shot down with a slogan!

4.

Mutual Trade

Fourth: I strongly recommend a five-year extension of the Trade Agreements Act, with broadened authority to negotiate.

Like economic aid, promotion of world trade conveys multiple benefits. It supports a significant segment of American industry and agriculture. It provides employment for four and one-half million American workers. It strengthens our friends. It hastens the day when special kinds of aid will be less needed. It helps lay the groundwork for peace by building mutual trust and a wholesome sense of interdependence between self-respecting nations.

Recently the Russian and Chinese Communists have been multiplying their efforts to get control of newly-developing countries through economic penetration. At such a time — of all times — are we to weaken our economic programs? There is nothing the Russians and Chinese Communists would rather have us do.

As for me, I see no reason why we should oblige them.

5.

Collaboration with our Allies

Fifth: It is of the highest importance that the Congress enact the necessary legislation to enable us to exchange appropriate scientific and technical information with friendly countries as part of our effort to achieve effective scientific collaboration.

This single act would in itself permit the free world, including ourselves, to take long strides forward in scientific areas where leadership is imperative. It is wasteful in the extreme for friendly allies to consume talent and money in solving problems that their friends have already solved -- all because of artificial barriers to sharing. The tasks ahead will be hard enough without handcuffs of our own making.

There is an added reason. Mutual confidence of the kind that accompanies good-faith sharing is the very substance of which permanent peace must be made. The groundwork for this kind of cooperation has already been laid in discussions among NATO countries. Promptness in following through with legislation will be the best possible evidence of American unity of purpose in cooperating in the fullest measure with our friends.

6.

Education and Research

Sixth: In the area of education and research, I recommend a a balanced program to improve and concentrate our resources.

This involves a five-fold increase in sums available to the National Science Foundation for its activities in stimulating and improving science education. It also initiates several complementary activities by the Department of Health, Education, and Welfare designed to improve educational quality and opportunities.

Several main features are conspicuous in this program.

Perhaps the most striking is the very heavy emphasis on improving, in every way possible, the quality of teaching and teachers.

Then, at the student level, a number of methods are used to provide for promising students both the incentive and the means to continue their studies.

Scrupulous attention has been paid to maintaining local control of educational policy, to eliciting the maximum amount of local effort to placing a four-year time limit on the program, and to avoiding undue stress in physical sciences at the expense of other branches of learning.

As to research, I am asking that the funds available to the National Science Foundation to support basic research be doubled, and for other Agencies substantially increased.

This new federal effort must, however, be accompanied by redoubled exertions on the part of state and local governments, private industry, schools and colleges, private organizations and foundations, teachers, parents; and — perhaps most important of all -- the student himself, with his bag of books and his homework.

With this kind of all-inclusive campaign, I have no doubt that we can create the intellectual capital we need for the years ahead, invest it in the right places, — and do all this, not as regimented pawns, but as free men and women!

7.

Cuts in Less Essential Spending

Seventh: To provide for this extra effort for security, we must apply stern tests of priority to other expenditures.

I propose that we seek to finance the 1959 security effort out of current revenues. I am, therefore, presenting a budget for 1959 that is balanced.

To achieve that goal will require the cooperation of Congress in holding to the estimates presented, postponing some new programs, transferring some to the states, and curtailing or eliminating others. Later messages will spell out the details on these cutbacks and savings, and such related matters as the debt ceiling and tax revenues.

These, then, are the seven lines of action that are necessary to funnel our atundant energies most efficiently into the task of advancing security and peace.

I particularly want to call to your attention one fact about these actions: they demand and expect of the American people a high degree of understanding.

Merely to strengthen armaments in time of danger is almost a reflex ---as natural as the instinct of self-defense.

But to be willing to extend mutual economic aid, or reduce tariff barriers, or share scientific information with other countries — this calls for a well-informed and highly developed grasp of the subtle, complex and total character of the struggle in which we are engaged.

Willingness to sacrifice is essential — but it is not enough. Sacrifice which is not intelligent could only be pathetic. The sacrifices must be made for the right purposes and in the right places — even if that place happens to come close to home!

After all, it is no good demanding sacrifice in general terms one day, and then fighting to preserve an outmoded military post.

And it is pointless to condemn federal spending in general and the next moment condemn just as strongly an effort to reduce the particular project or payment that touches one's own interest.

My friends of the Congress: the world is waiting to see how quickly, wisely and decisively a free representative government can act at a time like this.

To take the right actions, our kind of government needs the full support of millions of Americans for decisions of unprecedented intricacy and difficulty.

As this support, based on intelligent understanding of the issues, surges forth from the sovereign people of this country, I am fully confident that this time of trial will prove to be a time of honor, in which mankind will see more clearly than ever that the future belongs, not to the atheistic garrison states, but to the people — the God-fearing, peace-loving people of all the world.

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CABINET PAPER—PRIVILEGED
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CP - 58-76/1
January 9, 1958

The White House
Washington

THE CABINET

The State of the Union Message

The attached approved paper is circulated for the information and guidance of Members of the Cabinet.

This is the version as actually delivered by the President today.

This document is no longer privileged after 12:30 PM today.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Action

FOR RELEASE AT 12:30 P.M. (EST) JANUARY 9, 1958

CAUTION: The following message of the President on the State of the Union, scheduled for delivery to the Congress today, January 9, 1958, MUST BE HELD IN STRICT CONFIDENCE and no portion, synopsis or intimation of its contents may be given out or published UNTIL RELEASE TIME.

The same caution applies to all newspapers, radio and television commentators and news broadcasters, both in the United States and abroad.

PLEASE USE EXTREME CARE TO AVOID PREMATURE PUBLICATION OR ANNOUNCEMENT.

James C. Hagerty
Press Secretary
to the President

(AS ACTUALLY DELIVERED)

THE WHITE HOUSE

MR. PRESIDENT, MR. SPEAKER,
MEMBERS OF THE 85TH CONGRESS, MY FELLOW CITIZENS:

It is again my high privilege to extend personal greetings to the members of the 85th Congress. And, because of the felicitous circumstance that birthday anniversaries of our Speaker and Vice President occur this same week, I know all of us will join in saying to both a Happy Birthday.

Moreover, Mrs. Eisenhower would like to join me in wishing for you and your families a bright and prosperous New Year.

Now, my friends, honest men differ in their appraisal of America's material and intellectual strength, and the dangers that today confront us. But all know these dangers are real.

The purpose of this message is to outline the measures that can give the American people a confidence -- just as real -- in their own security.

I am not here to justify the past, gloss over the problems of the present, or propose any easy solutions for the future.

I am here to state what I believe to be right and what I believe to be wrong; and to propose action for correcting what I think wrong!

I.

There are two tasks confronting us that so far outweigh all others that I shall devote this year's message entirely to them.

The first is to ensure our safety through strength.

As to our strength, I have repeatedly voiced this conviction: We now have a broadly based and efficient defensive strength, including a great deterrent power, which is, for the present, our best guarantee against war; but, unless we act wisely and promptly, we could lose that capacity to deter attack or defend ourselves.

My profoundest conviction is that the American people will say, as one man: No matter what the exertions or the sacrifices, we shall maintain that necessary strength!

But we could make no more tragic mistake than merely to concentrate on military strength.

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(OVER)

For if we did only this, the future would hold nothing for the world but an Age of Terror.

And so our second task is to do the constructive work of building a genuine peace. We must never become so preoccupied with our desire for military strength that we neglect those areas of economic development, trade, diplomacy, education, ideas and principles where the foundations of real peace must be laid.

II.

Now, the threat to our safety, and to the hope of a peaceful world, is simply stated. It is communist imperialism.

This threat is not something imagined by critics of the Soviets. Soviet spokesmen, from the beginning, have publicly and frequently declared their aim to expand their power, one way or another, throughout the world.

This threat has become increasingly serious as this expansionist aim has been reinforced by an advancing industrial, military and scientific establishment.

But what makes the Soviet threat unique in history is its all-inclusiveness. Every human activity is pressed into service as a weapon of expansion. Trade, economic development, military power, arts, science, education, the whole world of ideas -- all are harnessed to this same chariot of expansion.

The Soviets are, in short, waging total cold war.

The only answer to a regime that wages total cold war is to wage total peace.

This means bringing to bear every asset of our personal and national lives upon the task of building the conditions in which security and peace can grow.

III.

Among our assets, let us first briefly glance at our military power.

Military power serves the cause of security by making prohibitive the cost of any aggressive attack.

It serves the cause of peace by holding up a shield behind which the patient constructive work of peace can go on.

But it can serve neither cause if we make either of two mistakes. The one would be to overestimate our strength, and thus neglect crucially important actions in the period just ahead. The other would be to underestimate our strength. Thereby we might be tempted to become irresolute in our foreign relations, to dishearten our friends, and to lose our national poise and perspective in approaching the complex problems ahead.

Any orderly balance-sheet of military strength must be in two parts. The first is the position of today. The second is the position in the period ahead.

more

As of today: our defensive shield comprehends a vast complex of ground, sea, and air units, superbly equipped and strategically deployed around the world. The most powerful deterrent to war in the world today lies in the retaliatory power of our Strategic Air Command and the aircraft of our Navy. They present to any potential attacker who would unleash war upon the world the prospect of virtual annihilation of his own country.

Even if we assume a surprise attack on our bases, with a marked reduction in our striking power, our bombers would immediately be on their way in sufficient strength to accomplish this mission of retaliation. Every informed government knows this. It is no secret.

Since the Korean Armistice, the American people have spent $225 billion in maintaining and strengthening this overall defensive shield.

This is the position as of today.

Now as to the period ahead: Every part of our military establishment must and will be equipped to do its defensive job with the most modern methods and weapons. But it is particularly important that we make a candid estimate of the effect of long-range ballistic missiles on the present deterrent power I have described.

At this moment, the consensus of opinion is that we are probably somewhat behind the Soviets in some areas of long-range ballistic missile development. But it is my conviction, based on close study of all relevant intelligence, with the best information that scientists can bring to me that if we make the necessary effort, we will have the missiles, in the needed quantity and in time, to sustain and to strengthen the deterrent power of our increasingly efficient bombers. One encouraging fact evidencing this ability is the rate of progress we have achieved since we began to concentrate on these missiles.

The intermediate ballistic missiles, THOR and JUPITER, have already been ordered into production. The parallel progress in the intercontinental ballistic missile effort will be advanced by new plans for acceleration. The development of the submarine-based POLARIS missile system has progressed so well that its future procurement schedules are being moved forward markedly.

When it is remembered that our country has concentrated on the development of ballistic missiles for only about a third as long as the Soviets, these achievements show a rate of progress that speaks for itself. Only a brief time back, we were spending at the rate of only about one million dollars a year on long range ballistic missiles. In 1957 we spent more than one billion dollars on the ATLAS, TITAN, THOR, JUPITER, and POLARIS programs. This is a rate of increase of 1000 times.

But I repeat, gratifying though this rate of progress is, we must still do more!

Our real problem, then, is not our strength today; it is rather the vital necessity of action today to ensure our strength tomorrow.

* * * * * * * * * * *

What I have just said applies to our strength as a single country. We are not alone. I have returned from the recent NATO meeting with renewed conviction that, because we are a part of a world-wide community of free and peaceful nations, our own security is immeasurably increased.

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(OVER)

By contrast, the Soviet Union has surrounded itself with captive and sullen nations. Like a crack in the crust of an uneasily sleeping volcano, the Hungarian uprising revealed the depth and intensity of the patriotic longing for liberty that still burns within these countries.

The world thinks of us as a country which is strong, but which will never start a war. The world also thinks of us as a land which has never enslaved anyone and which is animated by humane ideas. This friendship, based on common ideals, is one of our greatest sources of strength.

It cements into a cohesive security arrangement the aggregate of the spiritual, military and economic strength of all those nations which, with us, are allied by treaties and by agreements.

* * * * * * * * * * * *

Now, up to this point, I have talked solely about our military strength to deter a possible future war.

I now want to talk about the strength we need to win a different kind of war -- one that has already been launched against us.

It is the intensive economic offensive that has been mounted by the communist imperialists against free nations.

The communist imperialist regimes have for some time been largely frustrated in their attempts at expansion based directly on force. As a result, they have begun to concentrate heavily on economic penetration, particularly of newly-developing countries, as a preliminary to political domination.

This non-military drive, if underestimated, could defeat the free world regardless of our military strength. The danger is the greater precisely because many of us fail or refuse to recognize it. Thus, some people may be tempted to finance our extra military effort by cutting economic assistance. But at the very time when the economic threat is assuming menacing proportions, to fail to strengthen our own effort would be nothing less than reckless folly!

Admittedly, most of us did not anticipate the intensities of the psychological impact upon the world of the launching of the first earth satellite. Let us not make the same kind of mistake in another field, by failing to anticipate the much more serious impact of the Soviet economic offensive.

Now, as with our military potential, our economic assets are more than equal to the task. Our independent farmers produce an abundance of food and fibre. Our free workers are versatile, intelligent, and hard-working. Our businessmen are imaginative and resourceful. The productivity, the adaptability of the American economy is the solid foundation-stone of our whole security structure.

We have just concluded another prosperous year. Our output was once more the greatest in the nation's history. In the latter part of the year, some decline in employment and output occurred, following the exceptionally rapid expansion of recent years. In a free economy, reflecting as it does the independent judgments of millions of people, growth typically moves forward unevenly. But the basic forces of growth remain unimpaired. There are solid grounds for confidence that economic growth will be resumed without an extended interruption. Moreover, the Federal government, constantly alert to signs of weakening in any part of our economy, always stands ready, with its full power, to take any appropriate further action to promote renewed business expansion.

If our history teaches us anything, it is this lesson: so far as the economic potential of our nation is concerned, the believers in the future of America have always been the realists.

I count myself as one of this company.

Our long-range problem, then, is not the stamina of our enormous engine of production. Our problem is to make sure that we use these vast economic forces confidently and creatively, not only in direct military defense efforts, but likewise in our foreign policy, through such activities as mutual economic aid and foreign trade.

In much the same way, we have tremendous potential resources on other non-military fronts to help in countering the Soviet threat: education, science, research, and, not least, the ideas and principles by which we live. And in all these cases the task ahead is to bring these resources more sharply to bear upon the new tasks of security and peace in a swiftly-changing world.

IV.

There are many items in the Administration's program, of a kind frequently included in a State of the Union Message. They will be the subject of later messages to the Congress. Today, I speak only about matters bearing directly on our security and peace. So, I now place before you an outline of action designed to focus our resources upon the two tasks of security and peace.

In this special category I list eight items requiring prompt action. They are not merely desirable. I believe they are imperative.

1.

Defense Reorganization

The first need is to assure ourselves that military organization facilitates rather than hinders the functioning of the military establishment in maintaining the security of the nation.

Since World War II, the purpose of achieving maximum organizational efficiency in a modern defense establishment has several times occasioned action by the Congress and by the Executive.

The advent of revolutionary new devices, bringing with them the problem of overall continental defense, creates new difficulties, reminiscent of those attending the advent of the airplane -- more than half a century ago.

Some of the important new weapons which technology has produced do not fit into any existing service pattern. They cut across all services, involve all services, and transcend all services, at every stage from development to operation. In some instances they defy classification according to branch of service.

Unfortunately, the uncertainties resulting from such a situation, and the jurisdictional disputes attending upon it, tend to bewilder and confuse the public and create the impression that service differences are damaging the national interest.

Now, let us by all means proudly remember that the members of the Armed Forces give their basic and first allegiance solely to the United States. Of that fact all of us are certain. But pride of service and mistaken zeal in promoting particular doctrine has more than once occasioned the kind of difficulty of which I have just spoken.

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(OVER)

I am not attempting today to pass judgment on the charge of harmful service rivalries. But one thing is sure. Whatever they are, America wants them stopped.

Recently I have had under special study with the intimate association of Secretary McElroy the never-ending problem of efficient organization, complicated as it is by new weapons. Soon my conclusions will be finalized. I shall promptly take such Executive action as is necessary and, in a separate message, I shall present appropriate recommendations to the Congress.

Meanwhile, without anticipating the detailed form that a reorganization should take, I can state its main lines in terms of objectives:

A major purpose of military organization is to achieve real unity in the Defense establishment in all the principal features of military activities. Of all these one of the most important to our nation's security is strategic planning and direction. This work must be done under unified direction.

The Defense establishment must plan for a better integration of its defensive resources, particularly with respect to the newer weapons now building and under development. These obviously require full coordination in their development, production and use. Good organization can help assure such coordination.

In recognition of the need for single control in some of our most advanced development projects, the Secretary of Defense has already decided to concentrate into one organization all the anti-missile and satellite technology undertaken within the Department of Defense.

Another requirement of military organization is a clear subordination of the military services to duly constituted civilian authority. This control must be real; not merely on the surface.

Next there must be assurance that an excessive number of compartments in organization will not create costly and confusing compartments in our scientific and industrial effort.

Finally, to end inter-service disputes requires clear organization and decisive central direction, supported by the unstinted cooperation of every individual in the defense establishment, civilian and military.

2.

Accelerated Defense Effort

Now, the second major action item is the acceleration of the defense effort in particular areas affected by the fast pace of scientific and technological advance.

Some of the points at which improved and increasing effort are most essential are these:

We must have sure warning in the case of any attack. The improvements of warning equipment are becoming increasingly important as we approach the period when long-range missiles will come into use.

We must protect and disperse our striking forces and increase their readiness for instant reaction. This means more base facilities and more stand-by crews.

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In another way, we must maintain deterrent retaliatory power. This means, among other things, stepped-up long range missile programs; accelerated programs for other effective missile systems; and, for some years, more advanced aircraft.

We must maintain freedom of the seas. This means nuclear submarines and cruisers; improved anti-submarine weapons; missile ships; and the like.

We must maintain all necessary types of mobile forces to deal with local conflicts, should there be need. This means further improvements in equipment, mobility, tactics and fire power.

Through increases in pay and incentive, we must maintain in the armed forces the skilled manpower modern military forces require.

We must be forward-looking in our research and development to anticipate and achieve the unimagined weapons of the future.

With these and other improvements, we intend to assure that our vigilance, power, and technical excellence keep abreast of any realistic threat we face.

3.

Mutual Aid

Third: We must continue to strengthen our mutual security efforts.

Most people now realize that our programs of military aid and defense support are an integral part of our own defense effort. If the foundations of the Free World structure were progressively allowed to crumble under the pressure of communist imperialism, the entire house of freedom would be in danger of collapse.

As for the mutual economic assistance program, the benefit to us is threefold. First, the countries receiving this aid become bulwarks against communist encroachment as their military defenses and economies are strengthened. Nations that are conscious of a steady improvement in their industry, education, health and standard of living are not apt to fall prey to the blandishments of communist imperialists.

Second, these countries are helped to reach the point where mutually profitable trade can expand between them and us.

Third, mutual confidence that creates an atmosphere in which real understanding and peace can flourish.

Our economic aid effort should be made more effective.

In proposals for future economic aid, I am stressing a greater use of repayable loans, through the Development Loan Fund, through funds generated by sale of surplus farm products, and through the Export-Import Bank.

While some increase in Government funds will be probably required, it remains our objective to encourage shifting to the use of private capital sources as rapidly as possible.

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(OVER)

My friends, one great obstacle to the economic aid program in the past has been, not a rational argument against it on the merits, but a catchword: "give-away program."

The fact is that no investment we make in our own security and peace can pay us greater dividends than necessary amounts of economic aid to friendly nations.

This is no "give-away."

Let's stick to facts!

We cannot afford to have one of our most essential security programs shot down with a slogan!

4.

Mutual Trade

Now, fourth: Both in our national interest, and in the interest of world peace, we must have a five-year extension of the Trade Agreements Act with broadened authority to negotiate.

World trade supports a significant segment of American industry and agriculture. It provides employment for four and one-half million American workers. It helps supply our ever increasing demand for raw materials. It provides the opportunity for American free enterprise to develop on a worldwide scale. It strengthens our friends and increases their desire to be friends. World trade helps to lay the groundwork for peace by making all free nations of the world stronger and more self-reliant.

America is today the world's greatest trading nation. If we use this great asset wisely to meet the expanding demands of the world, we shall not only provide future opportunities for our own business, agriculture, and labor, but in the process strengthen our security posture and other prospects for a prosperous, harmonious world.

As President McKinley said, as long ago as 1901:

"Isolation is no longer possible or desirable . . .

The period of exclusiveness is past."

5.

Scientific Cooperation with our Allies

Fifth: It is highly important that the Congress enact the necessary legislation to enable us to exchange appropriate scientific and technical information with friendly countries.

It is wasteful in the extreme for friendly allies to consume talent and money in solving problems that their friends have already solved -- all because of artificial barriers to sharing. And we cannot afford to cut ourselves off from the brilliant talents and minds of scientists in friendly countries. The task ahead will be hard enough without handcuffs of our own making.

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The groundwork for this kind of cooperation has already been laid in discussions among NATO countries. Promptness in following through with legislation will be the best possible evidence of American unity of purpose in cooperating with our friends.

6.

Education and Research

Sixth: In the area of education and research, I recommend a balanced program to improve our resources, involving an investment of about a billion dollars over a four year period. This involves new activities by the Department of Health, Education and Welfare designed to encourage improved teaching quality and student opportunities in the interests of national security. It also provides a five-fold increase in the sums available to the National Science Foundation for its activities in stimulating and improving science education.

Scrupulous attention has been paid to maintaining local control of educational policy, spurring the maximum amount of local effort, and to avoiding undue stress on the physical sciences at the expense of other branches of learning.

In the field of research, I am asking for substantial increases in basic research funds, including a doubling of the funds available to the National Science Foundation for this purpose.

But federal action can do only a part of the job. In both education and research, redoubled exertions will be necessary on the part of all Americans if we are to rise to the demands of our times. This means hard work on the part of state and local governments, private industries, schools and colleges, private organizations and foundations, teachers, parents, and -- perhaps most important of all -- the student himself, with his bag of books and his homework.

With this kind of all-inclusive campaign, we can create the intellectual capital we need for the years ahead, and do all this, not as regimented pawns, but as free men and women!

7.

Spending and Saving

Seventh: To provide for this extra effort for security, we must apply stern tests of priority to other expenditures, both military and civilian.

This extra effort involves, most immediately, the need for a supplemental defense appropriation of \$1.3 billion for fiscal year 1958.

In the 1959 budget, increased expenditures for missiles, nuclear ships, atomic energy, research and development, science and education, a special contingency fund to deal with possible new technological discoveries, and increases in pay and incentives to obtain and retain competent manpower add to a total increase over the comparable figures in the 1957 budget of about \$4 billion.

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I believe that, in spite of these necessary increases, we should strive to finance the 1959 security effort out of expected revenues. While we now believe that expected revenues and expenditures will roughly balance, our real purpose will be to achieve adequate security but always with the utmost regard for efficiency and careful management.

This purpose will require the cooperation of Congress in making careful analysis of estimates presented. It means reducing expenditure on less essential military programs and installations, postponing some new civilian programs, transferring some to the states, and curtailing or eliminating others.

Such related matters as the national debt ceiling and tax revenues will be dealt with in later messages.

8.

Works of Peace

Now, my last call for action is not primarily addressed to the Congress and people of the United States. Rather, it is a message from the people of the United States to all other peoples, especially those of the Soviet Union.

This is the spirit of what we Americans would like to say:

"In the last analysis, there is only one solution to the grim problems that lie ahead. The world must stop the present plunge toward more and more destructive weapons of war, and turn the corner that will start our steps firmly on the path toward lasting peace.

"Our greatest hope for success lies in a universal fact: the people of the world, as people, have always wanted peace and want peace now.

"The problem, then, is to find a way of translating this universal desire into action.

"This will require more than words of peace. It requires works of peace."

Now, may I try to give you some concrete examples of the kind of works of peace that might make a beginning in the new direction.

For a start our people should learn to know each other better. Recent negotiations in Washington have provided a basis in principle for greater freedom of communication and exchange of people. I urge the Soviet government to cooperate in turning principle into practice by prompt and tangible actions that will break down the unnatural barriers that have blocked the flow of thought and understanding between our people.

Another kind of work of peace is cooperation on projects of human welfare. For example, we now have it within our power to eradicate from the face of the earth that age-old scourge of mankind: malaria. We are embarking with other nations in an all-out five-year campaign to blot out this curse forever. We invite the Soviets to join with us in this great work of humanity.

Indeed, we would be willing to pool our efforts with the Soviets in other campaigns against the diseases that are the common enemy of all mortals -- such as cancer and heart disease.

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If people can get together on such projects, is it not possible that we could then go on to a full-scale cooperative program of Science for Peace?

A program of Science for Peace might provide a means of funneling into one place the results of research from scientists everywhere and from there making it available to all parts of the world.

There is almost no limit to the human betterment that could result from such cooperation. Hunger and disease could increasingly be driven from the earth. The age-old dream of a good life for all could, at long last, be translated into reality.

But of all the works of peace, none is more needed now than a real first step toward disarmament.

Last August the United Nations General Assembly, by an overwhelming vote, approved a disarmament plan that we and our allies sincerely believed to be fair and practical. The Soviets have rejected both the plan, and the negotiating procedure set up by the United Nations. As a result, negotiation on this supremely important issue is now at a standstill.

But the world cannot afford to stand still on disarmament! We must never give up the search for a basis of agreement.

Our allies from time to time develop differing ideas on how to proceed. We must concert these convictions among ourselves. Thereafter, any reasonable proposal that holds promise for disarmament and reduction of tension must be heard, discussed, and, if possible, negotiated.

There is one indispensible condition, a disarmament proposal, to hold real promise, must at the minimum have one feature: reliable means to ensure compliance by all. It takes actions and demonstrated integrity on both sides to create and sustain confidence. And confidence in a genuine disarmament agreement is vital, it is vital not only to the signers of the agreement, but also to the millions of people all over the world who are weary of tensions and armaments.

I say once more, to all peoples, that we, as a nation, will always go the extra mile with anyone on earth if it will bring us nearer a genuine peace.

Conclusion

These, then, are the ways in which we must funnel our energies more efficiently into the task of advancing security and peace.

These actions demand and expect two things of the American people: sacrifice, and a high degree of understanding. For sacrifice to be effective it must be intelligent. Sacrifice must be made for the right purpose and in the right place -- even if that place happens to come close to home!

After all, it is no good demanding sacrifice in general terms one day, and the next day, for local reasons, opposing the elimination of some unneeded federal facility.

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(OVER)

It is pointless to condemn federal spending in general, and the next moment condemn just as strongly an effort to reduce the particular federal grant that touches one's own interest.

And it makes no sense whatever to spend additional billions on military strength to deter a potential danger, and then, by cutting aid and trade programs, let the world succumb to a present danger in economic guise.

My friends of the Congress: the world is waiting to see how wisely and decisively a free representative government can and now will act.

I believe that this Congress possesses and will display the wisdom promptly to do its part in translating into law the actions demanded by our nation's interests. But, to make law effective, our kind of government needs the full voluntary support of millions of Americans.

I am fully confident that the response of the Congress and of the American people will make this time of test a time of honor. Mankind will then see more clearly than ever that the future belongs, not to the concept of the regimented atheistic state, but to the people -- the God-fearing, peace-loving people of all the world.

DWIGHT D. EISENHOWER

THE WHITE HOUSE,

January 9, 1958.

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THE WHITE HOUSE
WASHINGTON

January 2, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, January 3

The following items are listed on the agenda for the Cabinet meeting tomorrow at 9:00 AM:

1. The State of the Union Message (Mr. Larson)

It is suggested that you call upon Arthur Larson to present this draft of the State of the Union Message for Cabinet discussion. Each Cabinet Member will have had a single "EYES ONLY" copy since Thursday noon for personal study.

2. Interest Rates Paid and Charged by Government Lending Agencies (Mr. Brundage)

Last year, following Cabinet discussion, you decided to propose legislation requiring Government agencies which loan money to pay the same interest rate the Treasury must pay and to charge their borrowers this same rate, plus administrative costs.

The legislation was submitted (S. 2427 and H.R. 8714). In considering it, the Senate Banking and Currency Committee has asked each of the lending agencies what effect this new policy would have on their lending programs.

The replies which the lending agencies propose to send back to the Committee vary. Some of the lending agencies, while supporting the basic policy, wish exemptions for certain of their lending programs -- feeling that a 100% application of the President's policy will damage the programs themselves.

Budget takes the view that exemptions one after the other will nullify the policy -- but believes that certain concessions do need to be made (with respect to trust funds, etc.). Budget proposed that if any exemptions are to be made for any specific programs, they must be approved by you. An amended version of last year's legislation is proposed.

This question has been discussed thoroughly with the interested agencies and the seven issues involving requests for exemptions are set forth in the paper. The paper itself has been discussed in the Advisory Board on Economic Growth and Stability, and its recommendations have the concurrence of the Secretary of the Treasury and (in all but one respect) the Chairman of the Council of Economic Advisers.

3. Suggestions Resulting from Conferences with Chairmen of the Congressional Committees (Vice President)

As a result of meetings with Congressional leaders such as Senator Schoeppel and Representative Simpson several steps to make a more effective liaison between Republican Congressmen and Administrative leaders were generally accepted. These touched upon such matters as:

a) Notification by Departments of proposed actions that affect Congress and Members of Congress.

b) Management and handling of appointments (White House and Departments).

c) Notification of actions or policies which affect a Congressman's constituency to any degree (such as a cut in dairy support prices, etc.).

d) Distribution of speeches.

* * * * *

4. Informing the Cabinet on Major Defense Matters

(Secretary McElroy,
Deputy Secretary Quarles,
Assistant Secretary McNeil)

This item does not under any circumstances require your presence -- it is merely a briefing to be given for the non-NSC members of the Cabinet so that they may be informed on major defense matters, especially budget questions and program problems which affect the Administration as a whole and the Nation's economy generally.

This idea grew out of one of the Executive Sessions of the Cabinet.

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

January 2, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Additional Item on Cabinet Agenda

An additional item has been added to the agenda which is not listed in the briefing paper in your book. It is the third item on the agenda and is entitled: "A Suggested Approach for Presenting the Budget to the Country."

Secretary Anderson needs about two or three minutes to present an idea which he has in order to obtain support for the budget in the country.

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

Suggestion for adding in the first part of the speech:

It is again my high privilege to extend personal greetings to the members of the 85th Congress. Moreover, through the facilities of television and radio, I am likewise enabled to present to many millions of Americans my thoughts on the current problems and opportunities of this great country. I do so in the confident knowledge that I am not either over emphasizing the problems facing us nor am I exaggerating the undoubted strength and opportunities of our nation.

I am addressing Americans, citizens who are not to be overly disturbed by purveyors of panic or susceptible to the blandishments of those who, for their own purposes, would have us lower our guard in the face of threat.

America is strong and will be stronger. Americans will, as ever, respond to any threat against the nation and will make every sacrifice required in thwarting or throwing back that challenge.

CABINET PAPER—PRIVILEGED

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CP - 57-75

December 12, 1957

THE CABINET

Interest Rates Paid and Charged by Government Lending Agencies

For consideration by the Cabinet, there is attached a paper prepared by the Bureau of the Budget.

A brief of the paper appears immediately following this cover-page.

This paper, and its recommendations, represent the joint views of the Bureau of the Budget, the Secretary of the Treasury and, except in one respect, the Chairman of the Council of Economic Advisers.

Attached to this paper as Tab A is the letter of last June from the Director of the Bureau of the Budget to the Speaker of the House transmitting the Administration's proposed legislation on this subject. Also attached, as Tab B, is the revision of this legislation now being proposed in the light of the interagency discussions summarized in this paper. Reference should also be made to Cabinet Paper 57-63/1.

A related legislative proposal, which would remove statutory controls over interest rates on private loans guaranteed, insured or underwritten by Federal agencies, is being reviewed by the major agencies concerned. If necessary, it will be submitted for Cabinet discussion as soon as possible.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER—PRIVILEGED

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December 12, 1957

THE WHITE HOUSE
WASHINGTON

THE CABINET

Interest Rates Paid and Charged by Government Lending Agencies

BRIEF

Problem: What changes, if any, should be made in the administration's proposed legislation governing interest rates paid and charged by Government lending agencies?

Discussion: Legislation sponsored by the administration (S. 2427 and H. R. 8714) would require all Government lending agencies (a) to pay interest for funds borrowed from the Treasury at rates equal to current market yields on Treasury securities with maturities comparable to maturities of the loans made by the lending agencies; and (b) to charge interest rates on loans at least equal to such market yields, plus, to the extent consistent with the purposes of each program, additional amounts adequate to cover administrative expenses and probable losses. (Transmittal letter of June 3, 1957, from Director of the Bureau of the Budget attached as Tab A.) The Senate Banking and Currency Committee has requested information on the impact of this legislation on all loan programs.

Lending agencies generally are willing to pay full Treasury borrowing costs. In several programs, however, they either contend that the legislation is not applicable or favor exemptions from requirements governing interest charged to their borrowers, on the ground that the application of even the minimum requirement would endanger major program objectives. In several other cases, they do not believe that increases above present rates adequate to cover all costs would be consistent with the purposes of the program.

The Bureau of the Budget believes that exemption of any program using Government funds would lead to exemption of others. It further believes that the individual lending agency should not be the sole judge of whether an interest rate covering full cost is necessary and desirable. Any exemptions will tend to defeat the basic purposes of the bill, which are to avoid hidden subsidies and provide a more consistent overall loan policy. If subsidies are necessary they can be best kept to the minimum by requiring explicit financing, preferably through direct appropriations. Some clarifying amendments, however, are needed to define more specifically the coverage of the bill and to authorize review by the President of any cases where full cost coverage seems unwarranted.

Recommendations: That the President (a) disapprove exemption of any lending program using Government funds from the legislation, and (b) approve amendments clarifying the scope of the legislation and requiring Presidential approval of any interest rate below full cost. (Proposed language attached as Tab B.)

Implementation: If the President approves these recommendations, the Bureau of the Budget will transmit to the Senate committee and to the sponsors of the legislation the proposed modifications, and will request all executive agencies with lending programs to reflect these decisions in their reports to the committee. The policies will also be followed in clearance of pending and future legislation dealing with lending programs.

CABINET PAPER

For Consideration

Concurrences: The Secretary of the Treasury

The Chairman of the Council of Economic Advisers (except for agreement with State Department on its request for exemption of foreign loans under rare circumstances)

Attachment: Paper on this subject prepared by the Bureau of the Budget.

CABINET PAPER—PRIVILEGED
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CP - 57-75

December 12, 1957

THE WHITE HOUSE

WASHINGTON

THE CABINET

Interest Rates Paid and Charged by Government Lending Agencies

Background: Over the last 30 years, and especially since the early 1930's the Federal Government has initiated a large number of lending programs to help meet a great variety of specific program requirements. Currently, 13 departments and independent agencies carry on one or more lending programs, either with Government funds or with trust funds administered by them.1/ Three of these (Agriculture, Interior, and the Housing and Home Finance Agency) administer over 25 separate lending programs.

The diverse origins and purposes of these programs have been reflected in a variety of statutory provisions governing interest rates paid and charged by these lending programs. In some cases statutory maximum rates have become obsolete and administrators cannot vary the rates charged, despite increased borrowing costs to the Government and corresponding increases in rates for the most nearly comparable private credit.

Recommendations of Hoover Commission: The Commission on Organization of the Executive Branch of the Government in March 1955 pointed out the considerable hidden subsidies existing in Government lending programs, and recommended:

> "That the Secretary of the Treasury be required to impose rates of interest on the agencies discussed in this report for Federal advances or contributions equal to the going rate of interest paid by the Treasury on its obligations of comparable maturity."
>
> "That all lending and guaranteeing agencies charge such fees to their borrowers as will permit them to reimburse the Treasury for the cost of money advanced to them and cover their own administrative expenses."

Administration Policies and Proposals: Wherever statutory limitations have permitted, the Treasury Department under this administration has required lending agencies which finance their operations by borrowing from it to pay interest at a rate in line with market rates on Treasury securities of comparable maturities. Similarly, lending agencies have been encouraged to reflect variations in underlying costs in the interest rates charged to their borrowers whenever such a policy was permitted under the statute and consistent with maintenance of an effective program.

In his FY 1958 Budget Message, the President stated:

> "Various agencies are being asked to review with the Congress the interest rates charged by the Government in connection with different kinds of loans, several of which have a fixed statutory maximum established when interest costs were much lower than today. It is desirable that there be more consistency and that more discretion be allowed in determining what going rates should be, dependent on the period of the loans and their conditions."

1/ Agriculture, Commerce, Export-Import Bank, FCA, FHLBB, GSA, HHFA, Interior, Labor, SBA, State, Treasury and VA.

CABINET PAPER
For Consideration

The Cabinet, in its meeting of March 11, 1957, agreed that the Director of the Budget should prepare draft legislation "which will specify that all future Government loans will be at an interest rate at least equal to the current long term interest rate at which the Treasury must borrow" (RA-57-69, Item A).

In the President's letter of April 18, 1957, (CP-57-63/1) to the Speaker of the House of Representatives, proposing steps to improve the Federal budgetary situation, he recommended legislation to "establish interest rates for Government programs that will induce private funds to participate in their financing and, at the least, require that such rates cover the borrowing costs of the Federal Government."

Legislation to carry out this recommendation, drafted by the Treasury Department and the Bureau of the Budget, was submitted to the Congress on June 3, 1957. (Transmittal letter from Director of the Bureau of the Budget attached as Tab A.) This bill (S. 2427 and H. R. 8714) requires each lending agency to pay interest on any future borrowing from the Treasury at a rate fixed by the Secretary of the Treasury, taking into consideration the current market rates of interest on Treasury obligations with maturities comparable to those of the loans made by the lending agency. It further requires each lending agency to charge interest on any future loans equal to at least the rate fixed by the Secretary of the Treasury, together with additional amounts sufficient to defray administrative expenses and probable losses to the extent that such additional charges are consistent with the purposes of the loan program.

Impact of Legislation: The Senate Banking and Currency Committee has requested the major lending agencies and the Bureau of the Budget to provide detailed information on the changes in interest rates which will result from enactment of the proposed legislation, as well as other related information. The proposed replies indicate the need for clarification of the coverage of the legislation, since some divergence is apparent among the agencies concerning its applicability to their programs.

Most lending agencies which borrow from the Treasury now pay interest on such borrowings at rates consistent with the proposed requirements. Increases would be required for the Rural Electrification Administration and the Farmers Home Administration (in Agriculture) and the college housing loan program (in HHFA). These departments support the proposed requirements.

With respect to the requirements governing interest rates charged by lending agencies, the majority of programs, including most of the larger ones, already conform to at least the minimum requirements, or are willing to make the necessary adjustments. However, eight agencies 1/ have asked for partial or complete exemptions for one or more programs. In several other cases, lending agencies 2/ expressed the view that increases in interest rates adequate to cover all costs would be inconsistent with the purposes of the specific loan programs involved.

Policy Issues: The arguments advanced for the proposed exemptions from the minimum standard are summarized and discussed below:

1. The Federal Home Loan Bank Board and the Farm Credit

1/ Commerce, FCA, FHLBB, HHFA, Interior, Labor, State and VA
2/ Agriculture, HHFA, SBA and State.

Administration contend that the bill does not or should not apply to their lending agencies, since they do not currently borrow from the Federal Government or with the aid of Government guaranties.

> Comments--The Federal Government has a substantial capital investment in the Banks for Cooperatives and the Federal Intermediate Credit Banks (supervised by FCA). Moreover, the Federal Home Loan Banks and the Federal Farm Mortgage Corporation have authority to borrow from the Treasury; if and when they do borrow, they should become subject to the Act. The Bureau of the Budget, accordingly, recommends that the bill be amended to make it clear that the requirements apply to any Government agency currently using Federal funds.

2. Labor, VA and Commerce request exemptions for loans from trust funds administered by them. Labor states that to require interest on advances from the Federal unemployment account to the State funds might conflict with State constitutional restrictions on borrowing. VA contends that the holder of a veterans life insurance policy is entitled by contract to borrow without having administrative costs included in the interest rate charged. Commerce believes that the requirement of interest on advances from the Highway Trust Fund to the States would reduce State funds available for construction and pose serious administrative difficulties.

Treasury points out that interest rates on investments by trust funds in about $45 billion of special issues of U.S. Government obligations might ultimately be subject to the interest requirements of the bill. While not necessarily opposed to establishing a comparable statutory policy governing interest rates on such investments, the Department proposes that such investments be specifically exempt at this time from the legislation.

> Comments--The monies invested and loaned by trust funds are not owned by the Federal Government, but are administered by Federal agencies on behalf of the beneficiaries of these funds. Moreover, the application of the specific standard contained in the pending legislation would involve special problems not common to other lending programs. At present interest rates, these requirements could cause a very substantial increase in budget expenditures for interest on special issues. For these logical and practical reasons, the Bureau of the Budget believes that interest requirements governing trust funds should be specifically excluded from this legislation, without prejudice to future revisions in legislation and administrative policy.

3. Interior opposes any requirement of interest charges on irrigation investments and loans made by the Federal Government for the benefit of users of Federal projects. It points out that this would be a drastic change from longstanding law and policy specifically authorizing interest-free investments and loans. However, such a change would have "elements of merit" as part of a consistent policy governing all programs where repayment of investment with interest is customary, such as power and municipal or industrial water supply.

> Comments -- The present policy waiving interest on principal repayable over a 40- or 50- year period in effect remits at least half the total Federal cost. Thus it involves major hidden subsidies. To avoid disrupting this program by application of the general interest standards, it might be necessary to provide aids of another type. The

Bureau of the Budget believes that this approach would contribute to sounder overall fiscal policy, and recommends, therefore, that the proposed exemption be disapproved.

4. The State Department contends that the interest requirements should not apply to loans under the Mutual Security Act and under Public Law 480 (i.e., with foreign currencies generated by the sale of agricultural surplus commodities). Such loans are now designed to encourage maximum repayment consistent with foreign policy objectives and rigid interest requirements might require extension of compensating benefits. Flexibility is necessary, State believes, in order to serve our foreign policy interests.

Comments -- The major purposes of the legislation, i.e., avoidance of hidden subsidies, improved coordination, and reduced reliance on the Federal Government, appear just as applicable to the general category of foreign loans as to any program of domestic loans. Interest rates currently charged on loans under Public Law 480 conform to the minimum standards of the proposed bill. Accordingly, the Bureau of the Budget recommends against any exception for foreign loans.

5. The agencies generally agree that credit obligations arising from sales of Government property should be subject to the interest requirements in the proposed legislation. Interior, however, wishes to preserve the present 2 percent interest rate on bonds given by the Territory of Alaska and Alaskan communities for the repayable portion of community facilities sold to them. This lower rate is said to be necessary to offset the abnormally high construction costs and scarcity of private capital in Alaska.

Comments -- The Bureau of the Budget recommends that the legislation be amended to make it clearly applicable to sales credit, except for open book or trade credit. The 50 percent grant provided for Alaskan community facilities appears to be ample to meet any special requirements for Federal assistance.

6. Several agencies advance funds with repayment depending upon a specific contingency. In three such programs, where no interest is currently charged, the agencies believe that exemption from interest requirements is essential to the effectiveness of the programs. These include: a) advances by HHFA for preliminary public works planning (repayable if the specific project is constructed); b) advances by Interior for minerals exploration (with payback on successful projects); and c) advances by VA to disabled veterans undertaking vocational rehabilitation courses (with reimbursement from future benefits).

Comments -- In all three cases the key inducements to the beneficiaries are the provision of funds otherwise often unavailable and the contingent nature of the principal repayment, rather than the waiver of relatively minor interest payments. These inducements can be retained if interest payments are likewise required only if and when principal payments are due. This is consistent with the policy already followed on other types of HHFA planning advances, as well as on CCC price support loans. The Bureau of the Budget recommends a clarifying amendment along the above lines.

7. Interior contends that application of the interest requirements to Indian loans in some cases would retard the economic development of the Indians.

Comments -- The Bureau of the Budget recommends against any exemption for Indian loans, believing that direct subsidies in such cases are preferable is additional Federal aid is warranted.

* * *

In addition to the issues raised by the various proposed exemptions from the minimum standard, the reluctance of several lending agencies to provide for full-cost coverage makes it doubtful whether this standard will prove to be very effective in practice if such agencies are the sole judges of its application to the loan programs they administer. Many Government loan programs admittedly operate in marginal credit areas with relatively high costs and risks of loss. Interest rates based upon full costs could substantially reduce or even eliminate such programs. Nevertheless, the burden of proof should be on the individual agency to establish the necessity for rates less than full cost. The Bureau of the Budget, therefore, recommends that any exceptions to the full-cost recovery standard be subject to approval by the President.

Conclusions: In summary, the Bureau of the Budget recommends that all proposals for exemption of lending programs using Government funds be disapproved. Exemption of any one lending program will encourage the Congress to exempt others, and thus defeat the basic purpose of the bill. The Bureau further recommends that Presidential approval be required for any case in which a lending agency proposes to charge interest rates inadequate to cover the full costs of the loan program. The legislation previously submitted should also be amended to remove ambiguities and clarify its application to the various types of lending programs. (Draft of proposed revision attached as Tab B.)

The foregoing recommendations are generally consistent with the consensus of views expressed at the October 16, 1957, meeting of the Advisory Board for Economic Growth and Stability of the Council of Economic Advisers, except that State and CEA favor Presidential discretion in rare cases to set a rate of interest lower than Treasury borrowing costs for certain foreign loans.

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

TAB A

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D. C.

June 3, 1957

My dear Mr. Speaker:

I have the honor to submit for the consideration of the Congress a proposed bill "To insure greater consistency among Federal loan programs, to avoid hidden subsidies, and to achieve more effective coordination between Federal loan programs and the fiscal and credit policies of the Federal Government."

The President in his letter to you of April 18, 1957, recommended as one of his proposed steps to improve the Federal budgetary situation, to "establish interest rates for Government loan programs that will induce private funds to participate in their financing and, at the least, require that such rates cover the borrowing costs of the Federal Government." This legislation is designed to carry out that recommendation.

The bill establishes two major policies applicable to all loan programs of the Federal Government. It requires each lending agency to pay interest on any future borrowing from the Treasury at a rate fixed by the Secretary of the Treasury, taking into consideration the current market rates of interest on Treasury obligations with maturities comparable to those of the loans made by the lending agency. It further requires each lending agency to charge interest on any future loans equal to at least the rate fixed by the Secretary of the Treasury, together with additional amounts sufficient to defray administrative expenses and probable losses to the extent that such additional charges are consistent with the purposes of the loan program. It will have no effect whatsoever on interest rates charged on outstanding loans or on interest rates paid to the Treasury on the funds necessary to finance these loans.

This legislation is necessary to modify the fixed statutory maximum interest rates on several lending programs established when interest costs were much lower than they are today. As the President pointed out in his message transmitting the 1958 budget, in order to obtain more consistency in the policies of Federal lending agencies, additional discretion is required over the interest rates charged. The proposed bill will provide the flexibility needed to permit the interest rates charged to reflect both the current costs of each lending program and the objectives it serves.

One of the basic purposes of the legislation is to assure that, insofar as consistent with the purposes of the lending programs, all of the costs involved shall be paid by the borrower who benefits from the loan. At present hidden subsidies exist in several programs. Removal or reduction of these subsidies will increase receipts of these programs and thus reduce their budgetary requirements. In addition, any increase in interest rates charged will encourage substitution of private financing and thus reduce Government expenditures. The most immediate effect on the budget will be from reduced disbursements on future loans. In later years, however, as more adequate interest is paid on a larger share of the outstanding loans, the major budget saving will accrue from this source.

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CABINET PAPER

For Consideration

By requiring all lending agencies to cover at least the interest cost incurred by the Government, the proposed legislation will reduce Government competition with private lenders, wherever private lenders provide comparable loans on reasonable terms. When private financial institutions are not able to make the type of loans required, moreover, it is only reasonable that the borrower should pay for the full cost of the credit he receives to the maximum extent possible, rather than to place an unnecessary burden on the taxpayer.

Sincerely yours,

(Signed) Percival F. Brundage

Director

Honorable Sam Rayburn
Speaker of the House
of Representatives
Washington 25, D. C.

Enclosure

/Identical letter sent to the President of the Senate_7

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CABINET PAPER—PRIVILEGED

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A BILL

To insure greater consistency among Federal loan programs, to avoid hidden subsidies, and to achieve more effective coordination between Federal loan programs and the fiscal and credit policies of the Federal Government.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That notwithstanding any other provision of law (1) the interest rate on any loan hereafter made by the Treasury to any department or agency of the Federal Government to finance loans made by such department or agency shall be fixed by the Secretary of the Treasury, taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to the loans made by the department or agency, and (2) the interest rate on any loan hereafter made by any department or agency shall not be less than the rate the department or agency making the loan would pay if it borrowed from the Treasury at the time the interest rate on the loan is fixed, plus an additional amount deemed adequate to cover administrative expenses and probable losses to the extent consistent with the purposes of the loan program.

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CABINET PAPER

For Consideration

TAB B

A BILL

To insure greater consistency among Federal loan programs, to avoid hidden subsidies, and to achieve more effective coordination between Federal loan programs and the fiscal and credit policies of the Federal Government.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That notwithstanding any other provision of law

(a) the interest rate on any loan hereafter made by the Treasury to any department or agency of the Federal Government to finance loans made by such department or agency shall be fixed by the Secretary of the Treasury, taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to the loans made by the department or agency, and

Revised Subsection

(b) the interest rate on any loan hereafter made by any department or agency shall not be less than the rate the department or agency making the loan would pay if it borrowed from the Treasury at the time the interest rate on the loan is fixed, plus additional amounts deemed adequate to cover administrative expenses and probable losses: *Provided*, That, with the approval of the President, such additional amounts may be omitted to the extent that their inclusion is deemed inconsistent with the purposes of the loan program: /*Provided further*, That the requirements in this subsection may be waived by the President for specific loans, under the Mutual Security Act of 1954 as amended, or under the Agricultural Trade Development and Assistance Act of 1954 as amended, upon determination by him that a lower rate is essential in the conduct of our foreign relations./ 1/

New section

Sec. 2. (a) As used in this Act, "departments or agencies of the Federal Government" shall include any Government agency, excluding any trust fund administered by any Government agency, during any period when such agency (1) has outstanding obligations guaranteed in whole or in part by the United States, or (2) is using Government funds either in the form of appropriations, borrowings, subscriptions to capital stock, or otherwise.

(b) As used in this Act, "loans" shall include all loans and advances, including sales credit (except upon book or trade credit), mortgage purchases, and the extension of any other type of credit: *Provided*, That no interest shall be payable on any loan, or portion thereof, if repayment of the principal, or portion thereof, has been waived; and that open any termination of such waiver interest shall be payable from the date of the loan.

1/ Proviso incorporating views of State Department, but not recommended by Bureau of the Budget.

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CA - 58-93

January 9, 1958

The White House

Washington

THE CABINET

Agenda

9:00 A.M., Friday, January 10, 1958

1.	The Economic Threat	(Oral)	The Secretary of State
2.	Review of the Economic Report	(Galley proofs)	The Chairman, Council of Economic Advisers
3.	Suggestions Resulting from Conferences with Chairmen of the Congressional Committees	(Oral)	The Vice President
4.	January 20th Speeches	(Oral)	Governor Pyle

* * * * * * * *

5.	Briefing on the Budget Message	(Oral)*	The Director, Bureau of the Budget

*Briefing materials will be distributed at the table.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

MINUTES OF CABINET MEETING

January 10, 1958
9:05 A. M. - 10:50 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Anderson
Sec. McElroy
Mr. Rogers
Mr. Summerfield
Sec. Seaton
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage
Deputy Director ODM Patterson
Amb. Lodge
Dr. Saulnier

Mr. Meade Alcorn, RNC
Adm. Strauss, AEC
Mr. Stans
Gov. Stassen

Gov. Adams
Gen. Persons
Mr. Rabb
Mr. Siciliano
Dr. Killian
Mr. Larson
Gov. Pyle
Mr. Harlow
Mr. Hagerty
Mrs. Wheaton
General Goodpaster
Mr. Martin
Mr. Patterson
Mr. Minnich

Legislative Program - The President suggested that the Cabinet give thought to specific ways of aiding passage of the various proposals in the Administration program, particularly Reciprocal Trade and Mutual Assistance. He thought a tentative plan could be drawn up by staff members after preliminary consultation with Cabinet members, which would be the sole subject of some future Cabinet meeting.

Russian Economic Threat - Sec. Dulles described at length the possibility and dangers of economic warfare that might be initiated by the Russians, particularly in view of Mr. Khrushchev's remark last fall declaring economic war. He suggested the Administration quickly initiate a study of this potential and means of counteracting it. He cited the advantage that a Communist dictatorship has over a "profit" economy through dumping goods or providing them at a price below cost so as to eliminate competitors and dominate various national markets. This menace might not materialize, he thought, should domestic pressures on the Russian government require greater use of resources at home.

The President noted how Russia could make its approaches to needy countries under the guise of giving assistance, then exploit the country once it had established economic control. The Vice President contrasted the smooth, quick actions of Russia with our own slowness necessitated by coordination between the Executive and Legislative branches and among agencies within the Executive branch. Sec. Weeks took some comfort from the failure of Communist economies thus far to evidence an ability to develop high standards of living. Sec. Anderson saw need for initiating the study quickly since Russia had the power to offer attractive shopping lists and thus lead other nations to break contracts they might have with us, as particularly some Arab states.

The President and Amb. Lodge commented on the need for associating more citizens of other lands in our business establishments abroad as a means of increasing their interest.

Sec. Dulles noted ironically how the Russians deliberately refrain from telling their own people about the attractive economic offers they make to other governments, such as Egypt.

The President noted the willingness of the country to ignore the cost of weapons in time of a shooting war and even to curtail certain freedoms. He felt that an economic war should also be considered gravely and that adequate provision for winning it must be made.

The President directed that a preliminary plan quickly be drawn up for accomplishing the major study that would be necessary, and the Vice President said he would follow through with interested members of the Cabinet.

Annual Economic Report - In reviewing the nearly completed Report Dr. Saulnier emphasized his confidence that economic growth can be resumed without extended interruption and his concern that the resumption should bring real growth rather than merely inflation. He noted that unemployment figures just received would necessitate a review of the draft to insure that the economic decline was not being understated.

The President ascertained that the draft had been reviewed earlier by members of the Advisory Board of Economic Growth and Stability, then stated his desire to see the final comments of these advisers before the Report got printed.

Congressional Liaison - The Vice President and Gov. Adams cited the desirability of improving liaison with Members of Congress in regard to appointments made below that of Presidential appointments and regarding announcements of departmental actions. Gov. Adams made clear that this was not intended to restrict the necessary plans of department heads for reducing personnel or curtailing activities.

The Vice President also stressed the desirability of giving interested Congressmen advance copies of speeches and perhaps suggestions for Congressional comment on all varieties of occasion.

Chairman Alcorn announced the Committee's intent to provide a detailed one-page "battle line" paper that would contain authenticated answers to Democratic misstatements and allegations. Appropriate liaison with the offices of the Cabinet members would be established.

The President hoped that attention could be given to developing a greater readiness of young Congressmen to react almost immediately on the Floor against opposition charges.

Special Messages of the President - Mr. Hagerty urged that steps be taken in each department to prevent premature announcements, hints, or other actions that would prejudice the President's position with regard to special messages.

1959 Budget - Director Brundage distributed copies of the Budget in Brief and noted that appropriate advice was being given to individuals who could be helpful in preventing or offsetting any misunderstandings such as led to the heavy attack on the 1958 budget.

The President discussed with Sec. McElroy the intent of the Defense Department to accelerate production of certain items, and he expressed his feeling that it would be better to use two or three shifts rather than pay extensive overtime.

The President also noted the difficulty he has every year with Rep. Taber regarding mutual security funds because of large amounts remaining unspent from previous years. Mr. Brundage indicated that every agency had been directed to have its specific program developed in full for the amounts requested prior to appearing on the Hill to testify in support of appropriations requests.

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

RA - 58-93

January 14, 1958

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, January 10, 1958:

1. The Economic Threat

ACTION:

The Vice President, in consultation with appropriate Departments and agencies and members of the White House staff, is to prepare for Cabinet review a charter establishing a study committee on certain international economic problems. This charter is to be in conformity with the remarks and suggestions made at the Cabinet meeting by the President and the Secretary of State.

2. Review of the Economic Report

ACTION:

a) Cabinet members should submit any major comments on the galley proofs of the Report promptly to the Chairman of the Council of Economic Advisers.

b) When these have been received, the Chairman of the Council of Economic Advisers will go over them, and the final draft of the Report, with the President.

3. Suggestions Resulting from Conferences with Chairmen of the Congressional Committees

ACTION:

Cabinet Members are reminded of the importance of advance notification or discussion as appropriate with Congressional officials on such matters as plans for travel, speeches, Departmental actions of interest to them, etc.

4. January 20th Speeches

ACTION:

Governor Pyle will have distributed to the office of each Cabinet Member on Saturday morning, January 11 a packet of guidance materials useful for speeches in the period ahead.

5. Briefing on the Budget Message

Information Item Only

ADDITIONAL ITEMS:

A. Implementing the Program in the President's Messages

ACTION:

Pursuant to the President's request, the White House staff will start drawing up a draft plan of operations, with action assignments, for following through with the President's proposals and for making the maximum coordinated effort to accomplish their implementation. An early Cabinet discussion of this plan will be scheduled.

B. Special Messages of the President

ACTION:

Cabinet Members should instruct their press staffs not to discuss publicly either the content or the timing of forthcoming Special Messages, since these are matters entirely up to the President.

Maxwell M. Rabb
Secretary to the Cabinet

OFFICE OF
THE SECRETARY OF STATE
WASHINGTON

January 14, 1958

~~CONFIDENTIA~~L

MEMORANDUM FOR THE HONORABLE MAXWELL M. RABB
THE WHITE HOUSE

The following is the Secretary of State's understanding of the action taken at the Cabinet meeting of Friday, January 10, 1958, on Item 1 of the Agenda.

"1. The Economic Threat

"ACTION:

"The Vice President, in consultation with appropriate Departments and Agencies and members of the White House Staff, is to prepare for Cabinet review a charter establishing a study committee on certain international economic problems. This charter is to be in conformity with the remarks and suggestions made at the Cabinet meeting by the President and the Secretary of State."

David W. K. Peacock Jr.
David W. K. Peacock, Jr.

DECLASSIFIED
Authority NLE MR #77-106, #1
By LKS NLE Date 8/4/77

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THE WHITE HOUSE
WASHINGTON

January 9, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, January 10

The following items are listed on the agenda for the Cabinet meeting tomorrow at 9:00 AM:

1. The Economic Threat (Secretary Dulles)

Secretary Dulles personally asked that this be put on the agenda. He feels that it is important for the members of the Cabinet to give consideration to this important problem at this time.

PRESENTATION TIME: 10 minutes

2. Review of the Economic Report (Dr. Saulnier)

Every year the Cabinet reviews the draft of the Economic Report as presented by the Chairman of the Council of Economic Advisers. This review need not be in complete detail, but this year particularly the highlights of the Report should be gone over thoroughly since the State of the Union Message was more confined to defense and foreign policy matters.

PRESENTATION TIME: 15 minutes

3. Suggestions Resulting from Conferences with Chairmen of the Congressional Committees (The Vice President)

This item was deferred from last week. The subjects that are to be taken up are:

1. Management and handling of appointments (White House and Departments).

2. Notification by Departments of proposed actions that affect Congress and Members of Congress.

3. Notification of actions or policies which affect a Congressman's constituency to any degree (such as a cut in dairy support prices, etc.).

4. Distribution of speeches.

4. January 20th Speeches (Governor Pyle)

At the Cabinet meeting last week, several members of the Cabinet urged the desirability of a coordinated approach in their speeches around the country on January 20th. They felt that it would be helpful to the Administration to know what points should be stressed in order to achieve proper appreciation of the President's efforts. Governor Pyle will be prepared to present a Cabinet item which will coordinate arrangements, themes, and briefing materials for the Nation-wide series of speeches on the 20th.

PRESENTATION TIME: 5 minutes

5. Briefing on the Budget Message (Director Brundage)

You need not be present during this item.

With the Message at the printers and scheduled for press briefing Friday afternoon, the purpose of discussing it at Cabinet would be to respond to the request made at last Friday's meeting: to give the Cabinet a careful fill-in on what the Budget is this year and on why this Budget is the best one to meet the needs of the times. Such a fill-in will be indispensable if we are to start out on the right foot this year in getting unanimous Administration support for the Budget as it goes to the Congress.

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

Hold for release
at noon
January 13

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EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D.C.

HIGHLIGHTS OF THE 1959 BUDGET

The 1959 Budget will be in balance, that is our budgeted expenditures will be more than covered by our expected receipts with an extension of current tax rates, with an estimated surplus of $500 million available for debt reduction. A comparison of the principal figures for three years is shown below.

(In millions)

	1957 Actual	1958 Current estimate	1959 Estimate
Receipts..................	$71,029	$72,400	$74,400
Expenditures..............	69,433	72,788	73,934
Surplus or deficit (-).....	1,596	-388	466
Consolidated cash surplus	2,099	175	624

Receipts for the current year fiscal 1958 are now expected to be $1.2 billion less than we anticipated a year ago when the budget was first submitted. Expenditures for Defense, principally for technical research and development and missile programs will be $860 million more than we anticipated a year ago. Either of these factors alone would have still given us a surplus, but taken together we now anticipate that our receipts for fiscal 1958 will fall approximately $400 million short of our expenditures.

Taking the two years 1958 and 1959 together, we will have a small surplus, and taking the four years - 1956, 1957, 1958 and 1959, we will have a substantial surplus of over $3 billion, which has been used to reduce the public debt. In each of the four years there will be a consolidated cash surplus.

With respect to fiscal 1959, there are strong grounds to support our confidence that the expansion of our economy will soon be resumed, bringing higher levels of receipts with present tax rates. The acceleration of defense efforts already under way, the increasing pace of activity in a number of programs involving State and local as well as Federal expenditures, the rapid pace of technological advance and its application by American industry, the expanding needs and desires of our growing population, and Government policies designed to facilitate

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the resumption of growth are among the major factors that justify this confidence. While there are many uncertainties in forecasting results 18 months in advance, our best estimate at this time of budget receipts for 1959 is $74.4 billion. This would produce a balanced budget with a surplus of $0.5 billion in 1959.

The President has been way ahead of the rest of the country in appreciating the effect of recent technological advances. No essential change in direction of our efforts or in our program is necessary except to compress and accelerate the timetables.

The President states in his Budget Message, "I believe that this budget adequately provides for our Federal responsibilities in the year ahead.

"DEFENSE, SCIENCE, AND THE BUDGET.--Americans are determined to maintain our ability to deter war and to repel and decisively counter any possible attack. Today we possess military superiority over any potential aggressor or aggressors. Every American should clearly understand that the vast defense programs undertaken during the past several years have greatly advanced our military preparedness and developed and harnessed impressive new scientific achievements. We have sharply increased the numbers of scientists and engineers assigned to top priority defense programs. We have expanded many fold the expenditures for the development of missiles, both defensive and counteroffensive. We have accelerated development of advanced guidance systems, new fuels, and heat-resistant materials. We have greatly enlarged our network of warning devices and communications.

"Our longer-range ballistic missile development, in particular, has long had the highest national priority. The result is striking. Whereas in 1953 we spent only $1 million on these programs, we spent $1 billion in 1957 and will spend more in 1958 and still more in 1959.

"CHANGES IN EMPHASIS.--Total Government expenditures (1) for all procurement to equip our forces and those of our allies with weapons, ships, planes, and missiles, (2) for atomic energy, and (3) for all scientific research and education will be approximately $21.1 billion in 1958 and $21.6 billion in 1959, compared with $20.5 billion in 1957.

"Within these totals for procurement and science, we have gradually but substantially changed our emphasis. This administration's continuing attention in recent years to new concepts of defense is shown by the fact that more than 75% of the total funds for procurement in the 1959 budget and 1958 supplemental requests is programed for new types of equipment which had not been developed in the fiscal year 1955 or were not being bought in production quantities in that year--the first full year following the Korean conflict."

Percival Brundage
Director

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BUDGET EXPENDITURES

(In millions)

	1957 actual	1958 current estimate	1959 estimate
Protection:			
Defense--Military	$38,439	$38,861	$39,779
Military assistance (including defense support)	3,495	3,145	3,085
Atomic Energy	1,990	2,300	2,550
Stockpiling and defense production expansion	490	565	422
International affairs and finance	832	1,468	1,312
Total protection	45,246	46,339	47,148
Civil Benefits:			
Labor and welfare	2,966	3,443	3,643
Commerce and housing	1,453	2,146	1,627
Veterans' services and benefits	4,793	5,034	5,012
Agriculture and agricultural resources	4,582	4,924	4,601
Natural resources	1,296	1,457	1,492
Total	15,090	17,006	16,375
Interest	7,308	7,867	7,869
General government	1,789	1,377	1,403
Allowance for proposed legislation and contingencies	-	200	1,139 1/
Total	$69,433	$72,788	$73,934

1/ Includes another $500 million for defense purposes.

January 6, 1958

CONFIDENTIAL

FOR RELEASE
12:00 noon
January 13, 1958

1959 BUDGET MEETS SPACE-AGE CHALLENGE

President Eisenhower's space-age budget for the fiscal year 1959 calls for expenditures of $73.9 billion, receipts of $74.4 billion. So it will be balanced with a surplus of $500 million.

Stepped-up national security programs account for 62 percent of total spending. The $45.8 billion in expenditures for these programs - defense, atomic energy, stockpiling, plus military assistance and defense support to other countries - is more than has been spent in any year since the Korean War. Included is transfer authority of $2 billion between appropriations in the Department of Defense, to take quick advantage of any new developments or scientific breakthroughs. The budget also carries in reserve an additional $500 million for defense purposes, if needed.

These defense dollars will be used to add to our defensive and retaliatory power. Particular emphasis will be placed on missile programs, nuclear retaliatory forces, naval nuclear vessels and submarines, outer space projects, and research and development.

The President has already sent to Congress a request for additional spending authority of $1.3 billion for fiscal 1958, to provide more funds for immediate expansion of these key defense programs. The result of this and higher requests for 1959 is that expenditures on these programs, plus science and education, will increase $2.8 billion in 1959 over 1957. Part of this will be offset by reductions of $1.5 billion for buying conventional aircraft and military equipment.

Expenditures for civilian programs have been held at roughly the same total as in the current year, with some ups and downs within that total. For example, on the up side the President recommended a broad new temporary program of aid to education, largely oriented to science. He also proposed tripling the amount of funds authorized to the National Science Foundation to step up its research activities.

On the down side, he recommended curtailing, revising, or eliminating thirteen present Federal programs to make some cuts now and lay the groundwork for savings of several billion dollars annually within a few years. For example, he proposed revisions looking toward increased State and local responsibility for several grant-in-aid programs, including urban renewal grants, public assistance, hospital construction, and schools in areas with large Federal employment. For the most part, these changes cannot become effective until 1960. Moreover, he advocated no new starts in 1959 for water resources projects of the Corps of Engineers and the Bureau of Reclamation. He proposed setting aside a number of new programs recommended last year but not adopted by Congress. He recommended new laws to encourage private financing to replace Government loans, particularly for housing and agriculture.

He asked for postal rate increases to bring in an additional $700 million, recommending a 5-cent letter rate on out of town letters and 4 cents on local letters to help reduce the postal deficit.

Moderate pay raises and some adjustments in classification are recommended for Government civilian employees, as well as military personnel, to retain the better qualified persons in the Government. The military pay revision is based on the principles recommended by the Cordiner Committee.

Tax cuts are out because of the stepup in defense. But no tax increases are proposed. The President is confident that the expansion of the economy will soon be resumed, bringing higher receipts with present tax rates. He based his confidence on such factors as the acceleration of defense spending, increased activity in several programs like highways involving State and local as well as Federal expenditures, rapid technological advances, expanding needs and desires of a growing population, and Government policies designed to facilitate economic growth.

He called for the debt limit to be raised temporarily. The present $275 billion limit is too restrictive in view of rising defense spending and the Treasury's need for flexibility in conducting its financing.

The 1958 revised budget, as a result of lower revenue estimates and higher defense spending, will show a deficit of about $400 million.

No debt reduction is planned for 1959 because trust funds are expected to reduce the amount of cash they keep with the Treasury and the Treasury will use the $500 million budget surplus to improve its cash balance.

FOR RELEASE
12:00 Noon
January 13, 1958

DIGEST OF THE 1959 BUDGET

President Eisenhower has sent Congress a budget for the fiscal year 1959 which reflects a determination to meet the threat of Communist imperialism by keeping our Nation's defenses up-to-date in the space age and, at the same time, adhering to fiscal soundness.

Estimated expenditures for the fiscal year 1959 are $73.9 billion. This amount is $4.5 billion more than was actually spent in fiscal year 1957, and $1.1 billion more than the revised total for the current year.

Despite these increases in spending, the new budget shows a surplus of $500 million, reflecting the President's confidence that an expanding economy will bring higher receipts with present tax rates. Receipts are estimated at $74.4 billion, $3.4 billion more than was collected last fiscal year and $2 billion more than is expected this year.

The President stated that we live in a time of growing opportunity and also of growing danger. He cited the progress of the Soviets in long-range missiles and other offensive weapons, together with their continuing rejection of a workable disarmament agreement, as compelling reasons to expand certain defense activities. In his budget message he made five major recommendations:

> "(1) An immediate increase for 1958 of $1.3 billion in spending authority for the Department of Defense, and a further increase of $2.5 billion in 1959 over 1958, to be applied principally to accelerate missile procurement, to strengthen our nuclear retaliatory power, and to spur military research and development. [The supplemental request

for 1958 which the President sent Congress the day it opened contained proposals for transferring $110 million of existing spending authority in addition to requesting $1.3 billion of new authority.]

"(2) A resulting increase of $2.8 billion in estimated 1959 expenditures over 1957 for missiles, nuclear armed or powered ships, atomic energy, research and development, science and education, plus a further provision of $0.5 billion for defense purposes, if needed; in addition, authority to transfer up to $2 billion between military appropriations, in order to take prompt advantage of new developments;

"(3) A decrease of $1.5 billion in 1959 expenditures below 1957 for other military arms and equipment and aircraft of declining importance, in favor of the newer weapons;

"(4) Curtailments, revisions, or eliminations of certain present civil programs, and deferments of previously recommended new programs, in order to restrain nonmilitary spending in 1959 and to provide the basis for budgetary savings of several billion dollars annually within a few years;

"(5) Continuation of present tax rates to help achieve a balanced budget in 1959."

As these five points made clear, the proposed spending total of nearly $74 billion does not tell the whole story of the Administration's response to the "promises and dangers of the dawning age of space conquest." Within the total spending, new weapons and science would get $2.8 billion more than they did last year, while conventional weapons and planes would be cut $1.5 billion. Numerous changes in legislation are proposed for nondefense programs. If enacted, these changes would reduce net nondefense spending somewhat in 1959 and provide "several billions" of savings in future years to offset higher military costs.

The President stated unequivocally that "our defenses are strong today, both as a deterrent to war and for use as a crushing response to any attack." Our concern, he said, is for the future.

The budget does not call for any new taxes but counts on Congress to maintain taxation at present rates. To maintain present rates, the President recommended extension for another year of corporation income taxes and of certain excises which are scheduled under present law for reduction next July 1.

The President pointed out several factors that justified his confidence that economic growth would soon be resumed. Chief among these were the acceleration of defense efforts already underway and the increasing pace of activity in a number of programs involving State and local, as well as Federal, spending. For example, the Federal-aid highway spending is expected to increase by $600 million to a record total of $2.5 billion.

Other factors which the President mentioned were the rapid pace of technological advance, the expanding needs of our growing population, and Government policies to promote an upturn.

This is not a pump-priming budget. It contains no provision for starting any new projects by the Corps of Engineers or by the Bureau of Reclamation. It proposes transferring a number of grant programs to the States, effective in 1960. It seeks to encourage greater reliance on private financing rather than direct Government loans, particularly for housing and agriculture. It strongly recommends an increase in postal rates to reduce an estimated postal deficit of about $700 million.

The principles of governmental and fiscal soundness which the President reiterated were "economy in expenditures, efficiency in operations, promotion of growth and stability in a free-enterprise economy, a vigorous Federal-State system, concern for human well-being, priority of national security over lesser needs, revenues adequate to cover expenditures and permit debt reduction during periods of high business activity, and revision and reduction of taxes when possible."

He stated his belief that the 1959 budget provides adequately for Federal responsibilities in the year ahead.

Despite the fact that the budget is balanced, the President will recommend a temporary increase in the debt limit through the fiscal year 1959. He said that a debt limitation serves as a proper reminder of the importance of operating economically, but that the present limit of $275 billion is too restrictive in view of rising defense expenditures and the need for more flexibility in debt management. During a fiscal year, the debt rises seasonally and then declines because a large portion of taxes is collected in the second half of the fiscal year. In recent months, the Treasury has had debt-management problems because of this seasonal pattern.

Three other changes in tax laws were proposed besides the extension of corporation and excise taxes. First, passage of pending legislation to remove unintended tax benefits and hardships. Second, technical revisions to give benefits to small business firms. Third, a new tax on jet fuels and an increase in the tax on aviation gasoline. The latter is one of several recommendations to require that the beneficiaries of special quasi-commercial services pay the costs of such services rather than place the full burden of cost on the general taxpayer.

Nearly two-thirds of the total 1959 spending in the budget is for major national security programs. The $45.8 billion estimated for these purposes is more than in any year since 1954. The largest part of this amount is for the armed forces. Spending for the Department of Defense is expected to be $39.8 billion.

An estimated 22 percent of budget expenditures in 1959 will be for civil benefit programs grouped under the headings of labor and welfare, commerce and housing, veterans, agriculture, and natural resources. The estimated $16.4 billion to be spent on civil benefits in 1959 is $600 million less than the comparable amount for the current year.

The estimates for interest and for general government activities are the same for 1959 as in the 1958 fiscal year. Interest is estimated at $7.9 billion, 11 percent of the budget. Expenditures for general government will require an estimated $1.4 billion, only 2 percent of the total.

The budget also includes estimated expenditures of $1.1 billion as an allowance for proposed legislation and contingencies not included in the categories just summarized. Within this allowance, $500 million is estimated specifically for defense contingencies. The President stated that it is essential that programs can be modified and accelerated when important technological developments indicate such actions to be desirable. In addition, he requested authority to transfer up to $2 billion between defense appropriations.

The contingency items are not specific appropriation requests, but allow for possible supplemental requests during the 18 months between the time the budget is submitted and the fiscal year ends.

The contingency allowance also covers the estimated costs of $339 million for proposed pay adjustments for postal and other civilian employees not in the Department of Defense, and $300 million for other contingencies. The cost of proposed pay adjustments for military and civilian personnel of the Department of Defense is included in the estimates for that Department.

Altogether, the budget includes $1.1 billion of estimated expenditures for pay adjustments for both military and civilian personnel. In both cases, the President emphasized that the pay systems should provide more adequate compensation for those with greater responsibilities.

He stated that military personnel trained at great expense to operate modern weapons must have greater incentives to remain in service. Minimizing the turnover in military personnel will reduce the percentage of men in training and add to the percentage assigned to combat missions.

Similarly for civilian employees, he said that revisions in pay structures are needed to retain highly skilled scientists and managers. For postal workers, the President said the pay structure has been revised but that a general pay increase is now appropriate. Last year, the President vetoed pay raises which did not have the same emphasis on revising pay systems for sound management.

The recommended appropriations for the military functions of the Department of Defense for the fiscal year 1959 are $39.1 billion. This is only $600 million more than was requested in last year's budget for 1958 but is $3.8 billion more than the amount Congress has enacted for 1958. Spending under these new appropriations and under appropriations enacted for prior years will be $39.8 billion, an increase of $900 million over the current estimate for 1958, $1.3 billion higher than in 1957, and $4 billion more than in 1956.

The President said that these increased appropriations and expenditures are necessary to acclerate the adaptation of our defenses to changing conditions. He pointed out that since the end of the Korean conflict, new weapons systems of vastly increased combat effectiveness have been provided for our military forces, but that we can expect new developments at an ever increasing pace.

The longer range ballistic missiles--Atlas, Titan, Thor, Jupiter, Polaris--only one of which was beyond the technical study stage 2½ years ago, will account for nearly half of the missile program for 1959. The President said that longer range missiles have had the highest priority. In 1953, only $1 million was spent on these missiles. By 1957, $1 billion was spent--1,000 times as much.

The entire missile program, including construction of missile sites and guided missile ships, will be $5.3 billion in 1959, compared with $4.3 billion in 1958, $3 billion in 1957, $1.7 billion in 1956, and $1.2 billion in 1955. Procurement will commence in 1958 for a number of new missiles which have recently been developed and have now become operational.

In 1953, missiles took less than 2 cents of each dollar spent for major procurement items; in 1957, missiles took about 15 cents of every procurement dollar; and in 1959 they will take about 24 cents.

More than 75 percent of the total funds for procurement in the 1959 budget and the 1958 supplemental requests is programmed for new types of equipment which had not been developed in the fiscal year 1955 or were not being bought in production quantities in that year--the first full year following the Korean conflict.

All the fighters and bombers for the Air Force, proposed for procurement with 1959 funds, will be capable of supersonic speeds and of using guided missiles and nuclear weapons. Hardly one of the production models on the 1959 list for procurement was included in the 1955 program of the Air Force. About 80 percent of the aircraft and aeronautical equipment planned for purchase by the Navy in 1959 had not reached the point of production in quantity in 1955.

Most of the ships in the proposed 1959 program are new types not on the 1955 shipbuilding list. These include guided missile destroyers and the first nuclear-powered frigate. The first three ballistic missile submarines for the fleet are included in the 1958 supplemental request. The 1959 budget will also increase capabilities for antisubmarine warfare.

To accelerate the dispersal of the Strategic Air Command to additional bases and to construct "alert" facilities, the appropriations for the fiscal years 1958 and 1959 include about $500 million. The President pointed out that these retaliatory forces must keep planes constantly in the air and have additional combat crews ready to take off almost instantly upon receipt of warning. Takeoff time will be shortened by constructing additional runways, fueling stations, and quarters for crews at the runways.

Expansion and further improvement of the continental defense early warning network will be undertaken and construction of a new ballistic missile detection system will be started.

Funds are provided for an expanded research and development effort on military satellites and other outer space vehicles, and on antimissile missile systems.

The President declared that every possible economy should be effected in other defense activities to help offset the increased costs of the high priority programs. He said that installations which are outmoded or of limited use will be closed and that maintenance standards, procurement practices, and supply management would be further tightened. Spending for operations and maintenance in 1959 will be about the same as in the current year, with economies offsetting the rising unit cost of operating more complex weapons.

Expenditures by the Atomic Energy Commission in the fiscal year 1959 will be $2,550 million, an increase of $250 million over the estimate for 1958, which is $310 million over 1957. These increases reflect larger production of nuclear weapons and greater emphasis on peaceful applications of atomic energy.

Characterizing our contributions to the efforts of free world nations to promote collective defense and economic growth as an indispensable part of our efforts to maintain an adequate defense, the President recommended $3.9 billion for the mutual security program. This will provide about the same level of expenditures as this year. Over $3 billion of the spending is for military assistance and defense support. Countries which have received military assistance maintain for the common defense of the free world the equivalent of 200 army divisions, 23,000 aircraft, and 2,300 naval vessels. Without our assistance such large forces could not be maintained, and our own direct military outlays would therefore be much larger than they already are.

Spending for economic development and other assistance under the mutual security program is estimated to be about $800 million in 1959. An increasing portion of this assistance will be in the form of loans under the Development Loan Fund enacted last year. These loans will largely supplant the grants of earlier years. The President said that the Soviet threat to freedom is far more than military power alone and pointed out that if Western help is unavailable to underdeveloped countries, they may become dependent on the Communist bloc.

The President declared that in the face of Soviet challenges, the security and continued well-being of the United States depend, as never before, on the extension of scientific knowledge. He is recommending an expanded program for the National Science Foundation and a new program for the Department of Health, Education, and Welfare.

The 1959 budget provides $82 million, about five times the present amount, for the National Science Foundation's programs to interest able students in science careers, to improve teaching methods and the content of courses in mathematics and science, and to provide fellowships to graduate students. The budget also doubles the amount for the Foundation's support of basic research.

A broad, temporary program of matching grants to States is proposed for the Department of Health, Education, and Welfare to strengthen State departments of education and local school systems, particularly for teaching of science and mathematics. The new grant program will extend testing and counseling services for students, provide college scholarships for high school graduates, and strengthen graduate schools.

The proposed Federal assistance is carefully designed to insure against any possible domination by the Federal Government of our educational system, the President said. He stated that education must continue to be locally controlled and operated in accordance with our American tradition. The President emphasized that this proposed program was an emergency stimulant to encourage the State and local communities to bring their educational systems up to date in the light of our modern scientific age.

The budget message states that the question of a civil defense shelter program is under consideration and tests of various types of shelters are continuing. The President recommends legislation to place added responsibility on the Federal Government for civil defense and to reorganize planning and coordination of nonmilitary defense programs by placing responsibilities directly under the President rather than in any single agency.

Under present conditions, the President is not recommending enactment of certain legislation now pending in the Congress for new programs which he had previously advocated. For example, instead of general aid for construction of schoolrooms, he is now recommending the new science-oriented education program. He is also deferring proposals for some other grant programs and for certain new public works projects.

In addition to deferring previous proposals, the President made recommendations to reduce some programs, to curtail expansion in others, and to transfer greater responsibility from the Federal Government to State and local governments or to private individuals or enterprises. He said that these recommendations were required by sound public policy and will help to hold expenditures in future years to prudent levels.

Thus, he endorsed the initial progress report of the Joint Federal-State Action Committee composed of 10 Governors and 7 Federal officials. This report proposes more State responsibility for vocational education, construction of waste treatment facilities, urban renewal planning, natural disaster relief, and regulating peaceful uses of atomic energy.

Some of these transfers of responsibility would be accompanied by Federal relinquishment of a portion of the local telephone service tax. The Joint Federal-State Action Committee will continue to study Federal grant programs for transfer of functions wherever practicable. The President declared that the executive branch is eager to do its part to ensure success of this desirable experiment in public administration and finance.

The President also made proposals for modifying the legislation which specifies the formulas or amounts of Federal grants for assistance to schools in federally affected areas, for hospital construction, for public assistance, and for urban renewal capital costs.

The budget proposes to substitute private financing for Government loans and mortgage purchases wherever possible and to remove or reduce hidden subsidies in Government credit programs. Legislation has been submitted to require adequate interest rates on all new Government loans. Legislation is also proposed to encourage guaranties instead of direct loans.

These credit recommendations are particularly applicable to various housing programs, such as urban renewal, college housing, and mortgage purchases of the Federal National Mortgage Association. The President also stated that the growing demand from nonfarm users for electricity from rural electric cooperatives, and the present development of the cooperatives, clearly indicated that the sources of capital for the REA systems should be broadened to assist borrowers for electricity and telephones obtain financing for continued growth. About 50 percent of all REA-initiated electricity is now going to nonfarm users. Over 95 percent of all farmers now have electricity.

Declaring that we cannot successfully continue with present obsolete legal formulas governing agricultural price supports, the President stated that he will recommend changes in legislation to permit price supports consistent with the increased productive capacity of agriculture. These measures will not begin to have an effect on freeing the farm economy from Government controls before 1960 under a program of gradual adjustment of production to normal market demands.

The budget proposes termination of the acreage reserve program of the soil bank at the end of the 1958 crop year and recommends more funds for the conservation reserve, which brings more lasting benefits in reducing surplus production and obtaining conservation. Expenditures for all agricultural programs are estimated to be $4.6 billion in 1959, about $300 million less than in 1958.

Expenditures for veterans in the fiscal year 1959 are slightly below the 1958 amount and are estimated to total $5 billion. A message will be sent to Congress recommending specific adjustments in compensation, pension, and related programs, to relate the older programs for veterans more closely to the newer social security systems, and to make adequate recognition of the fact that nearly one-half of our citizens are veterans and their families and dependents.

The President concludes his budget message by saying: "I feel confident that this budget expresses the way in which the American people will want to respond to the promises and dangers of the dawning age of space conquest. New dimensions must be added to our defenses and outmoded activities must be discarded....Our response must rise above personal selfishness, above sectional interests, above political partisanship."

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[illegible] to DDE re foreign currencies & [illegible] Committees	3/18/58	A
[illegible] of Actions- Board Assistants' Meeting 3/21/58	3/24/58	A
Roy M. Melbourne to OCB Working Groups re U.S. owned foreign currencies	7/23/57	A
Coordinating Board study re U.S. owned foreign currencies	7/31/57	A
Activity Report Excerpts 12/23/57 & 11/28/57		[illegible]
Melbourne to Board Assistants	7/30/57	A
OCB report on Finland	1/2/58	A
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CA - 58-94

January 15, 1958

The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday, January 17, 1958

1. Legislative Implementation of the President's Program	(Oral)	
a) The FY 1958 Defense Supplemental		The Secretary of Defense
b) Defense Reorganization		The Secretary of Defense
c) The Accelerated Defense Effort		The Secretary of Defense
d) Mutual Aid		The Secretary of State
e) Mutual Trade		The Secretary of Commerce
f) Scientific Cooperation and Research		The Special Assistant to the President for Science and Technology
g) Education		The Secretary of Health, Education and Welfare
h) Labor		The Secretary of Labor
i) Agriculture		The Secretary of Agriculture
j) The Legislative Program		The Deputy Assistant to the President
2. OPERATION ALERT, 1958	CI - 58-44/2	The Director, Office of Defense Mobilization

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Action

MINUTES OF CABINET MEETING

January 17, 1958
9:05 A. M. -- 10:45 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Under Sec. Treasury Scribner
Sec. McElroy
Mr. Rogers
Mr. Summerfield
Sec. Seaton
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage
Mr. Gordon Gray
Amb. Lodge
Dr. Saulnier

Under Sec. State Herter
Mr. Douglas Dillon
Under Sec. Quarles
Under Sec. Morse
Adm. Strauss - in part
Mr. Leo Hoegh, FCDA
Mr. Maurice Stans

Gov. Adams
Gen. Persons
Mr. Rabb
Gen. Cutler - in part
Mr. Siciliano
Dr. Killian - in part
Mr. Morgan
Dr. Hauge
Mrs. Wheaton - in part
Mr. Larson
Mr. Martin
Mr. Harlow - in part
Mr. Anderson - in part
Gen. Goodpaster
Mr. Patterson
Mr. Minnich

This meeting was devoted almost entirely to reports by Cabinet members on steps being taken to implement 1958 programs. (CI 58-52)

Farm Legislation - Sec. Benson noted the extensive effort being made by the Department to increase understanding of the need for additional legislation regarding price supports, acreage, etc. Such legislation would follow the lines indicated in the letter sent to the Senate Agriculture Committee in mid-1957.

Sec. Benson also noted the emphasis being put on the value of agricultural exports in connection with legislation to extend the Reciprocal Trade Act.

Defense Legislation - Sec. McElroy concentrated on progress being made in the Department on recommendations for reorganization of the Department of Defense. He noted the advisory group to be composed of Adm. Radford, Generals Bradley and Twining, Messrs. Rockefeller, Lovett and Wm. Foster, and the occasional help to be expected from General Gruenther. The President stressed the amount of political heat involved in this question.

Mr. McElroy also pointed out steps taken to accelerate Defense procurement programs to compensate for the lag in contracting during the fall of 1957. He contrasted the $7.9 billion contracted during the first half of FY 1958 with the expected $13.4 billion to be contracted in the second half. Mr. McElroy noted the urgency of placing contracts for certain items in advance of the authorization, for which an arrangement had been worked out with the pertinent subcommittee.

Mutual Assistance and Related Items - Mr. Dillon noted the status of recommendations and accompanying presentations to Congress for the Mutual Assistance program. He cited Eric Johnston's efforts to develop grass-roots support. He stated that the carry-over for "pipeline" purposes had been reduced from $6 billion to less than $3 billion this year. It will be reduced further in the next two years to a bare minimum. Mr. Dillon hoped that the Defense Department could advance the timing of its part of the Mutual Security budget preparations so that specific programs could be developed in time for Congressional presentations.

Mr. Dillon expected that problems involving the coordination of the Development Loan Fund with the Export-Import Bank would be worked out very shortly. He also noted how the slowness of other countries in submitting detailed applications for loans had held back the program.

Mr. Dillon pointed to the need for giving attention to the problem of the mounting level of local currencies held by US citizens, a matter causing difficulty for both P. L. 480 and Mutual Assistance activities. He indicated that State might soon recommend the establishment of a Cabinet-level Committee on this.

The President again expressed his concern with the problem of providing almost unlimited amounts of local currencies to traveling Congressmen and their staffs. Mr. Herter stated that the Executive Branch had no discretion in this matter for which the responsibility rested squarely with the Congress. The President asked that the matter be reviewed, particularly as to any Executive responsibility for stating publicly the amounts disbursed.

Reciprocal Trade Legislation - Sec. Weeks reported on the prospects of Congressional action on this, emphasizing the probable difficulty of getting agreement on five years as the term of extension. The Cabinet discussed at considerable length the possibility of increased public support for this program, especially through religious organizations, the League of Women Voters, exporters, etc. Sec. Dulles noted the two-fold appeal that probably had to be made as regards the dollars and cents value to the American economy and also the non-militaristic value of international cooperation, etc. He cautioned again about the economic warfare potential of the Soviet Union and the advantage that Russia would have if our Reciprocal Trade legislation should be emasculated.

Scientific Cooperation and Research - Dr. Killian described the efforts being made to expand basic research through the National Science Foundation, a transfer of funds from Defense Department to the Foundation, and concerted effort to stimulate private funds for this purpose. He noted the AEC - Foundation effort for new high energy accelerators. He stressed the need for continuity in basic research instead of great variations in the level of support. He pointed out that the National Science Foundation is endeavoring to provide better means of making information available to non-governmental researchers, and he praised the declassification work of the AEC.

Dr. Killian mentioned briefly the enormous increase being accomplished in scientific cooperation with other nations.

In response to a query from the President, Adm. Strauss described the need for carrying on basic research along with developmental projects to provide the scientific personnel with the necessary opportunity for refreshing themselves in basic research.

Adm. Strauss reviewed the legislation necessary to allow transfers of various items and information to allied countries. He hoped a solution could soon be reached as to the location of responsibility for final approval of specific transfers.

Education - Sec. Folsom reported that consultation on the new education program was going well but that the Administration would have to fight off a proposal for allowing a tax exemption for college expenses. The President commented that such a proposal would in effect be of great advantage to the wealthy but of little advantage to the man of moderate means.

Labor Legislation - In outlining the Congressional discussions now under way, Sec. Mitchell stressed the hope of developing strong Republican support for this moderate program. He felt that no legislation at all would be secured if each Member of Congress kept pushing his own pet issue.

Special Messages - The President stated his desire to refrain from including great detail in his special messages since he could not reasonably be expected to know and be responsible for every detail of proposed legislation. He proposed that the technique of a Presidential transmittal and Departmental enclosure be used where great detail had to be forwarded.

Preparation of Draft Legislation - Gen. Persons called attention to the paper listing 1958 proposals and urged the departments concerned to complete preparation of draft legislation and submit it to the Budget Bureau promptly so that it could be forwarded to Congress in good time for favorable action.

1958 Operation Alert (CI 58-44/2) - Mr. Gray outlined the three-phase nature of the Operation this year. He indicated that the attack phase in May would involve local governments primarily with very little Federal participation and only incidental Federal relocation. The summer phase would allow a more realistic approach to solving problems resulting from the attack than was possible last year under the unrealistic timing assumptions. The critique in the fall, he thought, should be extremely useful for finding and accomplishing solutions to problems of long standing.

Lam
L. A. Minnich, Jr.

Copies to:
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Mr. Rabb
Mr. Minnich

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RA - 58-94

January 18, 1958

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, January 17, 1958:

1. Legislative Implementation of the President's Program   CI - 58-52

ACTION:

The responsible Cabinet Members are to go forward promptly with the implementation of the President's program. During the Cabinet discussion, specific attention was called to the following:

a) The possible need for a special Cabinet-level Committee to survey the outstanding amounts of soft currencies in U.S. hands and to make recommendations on further steps to be taken with respect to these funds.

b) The request of the President that the Secretary of State is to review and report to him concerning the counterpart funds which are released, pursuant to the law, to Congressional officials, with special attention to the Executive's responsibility for public reporting of such releases.

c) The suggestion that the Secretary of Commerce and the Secretary of Agriculture should consult further concerning recommendations to be made involving cotton prices.

d) The statement that the Special Assistant to the President for Science and Technology will continue to encourage the achievement of a coordinated national policy and program for effective over-all use of our scientific resources.

e) The reminder that in developing plans for international scientific cooperation and information-sharing, the participating agencies (State, Defense, AEC, NSF) should ensure that the contribution Japan can make to these objectives will not be overlooked.

→ NSF Press Release 60-149 for release 10/3/60 re this.

CABINET PAPER

For Action

f) The President's request that, with few exceptions, most future Special Messages to be sent by him to the Congress be drawn up in such a way that he can sign a covering transmittal letter, rather than the whole Message.

g) The request to each Cabinet Member to ensure that for every item mentioned in Cabinet Information Paper 58-52, draft legislation embodying the Administration's position has been or will immediately be completed and sent to the Bureau of the Budget for final clearances and prompt introduction in the Congress.

2. Operation Alert, 1958 CI - 58-44/2

ACTION:

a) OPERATION ALERT, 1958 will go forward as described in the Cabinet Paper referred to, with particular emphasis this year on local and State participation, and Federal participation in the field, and, at the Washington level, on the solving of substantive problems concerning the use of available resources.

b) The Director of the Office of Defense Mobilization will request assistance, including personnel support, from departments and agencies as needed, in order to ensure the success of the Operation as an integrated, government-wide undertaking.

Maxwell M. Rabb
Secretary to the Cabinet

CI - 58-52

January 16, 1958

The White House

Washington

THE CABINET

Legislative Recommendations of the President Contained in 1959 Budget Message (85th Congress - 2d Session)

For information and convenience of the Cabinet, attached is a copy of the President's recommendations in his Budget Message -- rearranged by agency of primary legislative responsibility and broken down as between new recommendations and those previously recommended. Each item also carries a reference to the page number in which it is discussed in the Budget Message.

This document has been prepared by the Bureau of the Budget.

Maxwell M. Rabb
Secretary to the Cabinet

Legislative Recommendations of the President
Contained in 1959 Budget Message
(85th Congress - 2nd Session)

Note: The recommendations are arranged by agency of primary legislative responsibility. Where other agencies are listed in parentheses after any item, those agencies share responsibility for the legislation.

STATE DEPARTMENT

NEW RECOMMENDATIONS	Message Page No.
New obligational authority of $3,940 million for mutual security program (ICA)	M 20

PREVIOUSLY RECOMMENDED

None

DEPARTMENT OF THE TREASURY

NEW RECOMMENDATIONS

	Message Page No.
Relinquish to States portion of local telephone service tax which Federal Government now collects (No budgetary impact in 1959; $148 million annually loss of revenue) (Bureau of the Budget)	M 28
Continue excise tax rates (additional revenue $1.1 billion)	M 10
Continue corporate tax rates (additional revenue $.9 billion)	M 10
Revise upward present debt limit (temporarily through f. y. 1959)	M 11

PREVIOUSLY RECOMMENDED

Close tax law loopholes (H.R. 8381). (Savings not substantially in excess of increased administrative costs.)	M 10

DEFENSE

NEW RECOMMENDATIONS	Message Page No.
Authorize President to transfer up to $2 billion between appropriations available for military functions of the Department of Defense.	M 14
Military Construction (chiefly Air Force) (NOA $1,575,000,000 - Expenditures $646 million)	M 16
Recast Military pay system (Cordiner Report) (NOA $518 million - Expenditures $508 million)	M 17
Extend Renegotiation Act (Renegotiation Board)	M 19
Delete rider to Defense Appropriation Act which limits bidding by other countries on defense contracts (So-called Berry Amendment, Sec. 626 of Defense Appropriation Act of 1958)	M 24
Authorize expenditure not more than $4 million assist in construction adequate facilities for Eighth Olympic Winter Games and to defray cost of providing assistance by Armed Services (State and Agriculture)	M 55

PREVIOUSLY RECOMMENDED

ARMY -- Corps of Engineers	
Partnership development resources projects, particularly cost sharing on flood control by local beneficiaries (Interior and Agriculture)	M 51

DEPARTMENT OF JUSTICE

NEW RECOMMENDATIONS	Message Page No.
None	

PREVIOUSLY RECOMMENDED

Enact remaining proposals for amendment of immigration laws (State)	M 55

POST OFFICE DEPARTMENT

NEW RECOMMENDATIONS

	Message Page No.
Pay revisions for postal employees (cost $160 million annually).	M 53

PREVIOUSLY RECOMMENDED

	Message Page No.
Adequate postal rates ($700 million additional revenue annually)	M 39
Liquidate Postal Savings System (Savings indeterminate but small)	M 40

DEPARTMENT OF THE INTERIOR

NEW RECOMMENDATIONS

	Message Page No.
Defer action on previously recommended public works projects	M 28
(a) Fryingpan-Arkansas Project (Reclamation) $159 million	
(b) San Luis (Reclamation) $305 million	
(c) San Juan (Reclamation) $81 million	
(d) Navaho (Reclamation) $127 million	

PREVIOUSLY RECOMMENDED

Statehood for Hawaii	M 55
Statehood for Alaska	M 55

DEPARTMENT OF AGRICULTURE

NEW RECOMMENDATIONS

	Message Page No.
Changes in price supports legislation (No impact in 1959; small savings in 1960)	M 48
Extend Titles I and II of Agricultural Trade Development and Assistance Act of 1954 with increase from present $4 billion to $5.5 billion in authorization for Commodity Credit Corporation (Act expires 6/30/58) (State)	M 48
Terminate acreage reserve program at end of 1958 crop year ($175 million savings in 1959; $400 million savings in 1960)	M 49
Extend special school milk program (expires 6/30/58) (Expenditures $75 million)	M 49
Extend National Wool Act (Expenditures $25 million to $30 million)	M 49
Greater sharing by States in costs of disaster relief assistance to farmers (Indeterminate savings)	M 49
Broaden source of capital from which REA system may obtain financing necessary for growth and expansion (indeterminate savings)	M 50
Encourage private investors make more insured real estate loans (FHA)	M 50

PREVIOUSLY RECOMMENDED

None

DEPARTMENT OF COMMERCE

NEW RECOMMENDATIONS

	Message Page No.
Extend Reciprocal Trade Agreements for 5 years beyond 6/30/58 and broaden President's authority (State)	M 23
Funds to assist in completion of Inter-American Highway - $10 million (State)	M 23
Finance forest and public lands highway programs from highway trust fund (general revenue requirements reduced $32 million annually -- highway trust fund requirements increased $32 million) (Agriculture - Interior)	M 30
Provide for payment from highway trust fund of expenses incurred by the Treasury in collecting taxes going into the fund (small reduction in general revenue requirements and corresponding increase in highway trust fund requirements) (Treasury)	M 30
Tax of 3-1/2 cents a gallon on jet fuels and increase tax on aviation gasoline (receipts from taxes to be kept in general revenues to help finance operations of the airways). ($64,600,000 additional general revenues of which $46 million obtained by transfer from highway trust fund) (Treasury)	M 30-31
Extend Export Control Act (administrative cost $3 million annually)	M 37
Extend replacement period for ships receiving operating subsidies	M 43

PREVIOUSLY RECOMMENDED

Authorize United States membership in Organization for Trade Cooperation (State)	M 24
Area Assistance (NOA $54 million. Expenditures $11 million (includes labor)) (Labor)	M 37
Highway Advertising, control (Cost impact indeterminate but small)	M 37
Adjust Patent Office fees (Increase revenue $6 million)	M 31

DEPARTMENT OF LABOR

NEW RECOMMENDATIONS

	Message Page No.
Amendments to legislation on labor-management relations (Taft-Hartley)	M 35
Charge employers of longshoremen for cost of administering disability compensation	M 31

PREVIOUSLY RECOMMENDED

	Message Page No.
Federal Equal Pay Act (NOA and expenditures $200,000 annually)	M 35
Work Hours Act (8 hour laws) (No significant budgetary impact)	M 35
Extend minimum wage to additional workers (NOA and expenditures $1 million annually)	M 35
Improve coverage of unemployment compensation (No significant budgetary impact)	M 35
Registration and safeguarding of union funds (NOA $1.5 million, expenditures $1.3 million)	M 35
Registration and safeguarding of welfare and pension funds (NOA $1.5 million, expenditures $1.3 million)	M 35
Federal Employees Compensation Act - Charge-Back Bill (Each Federal agency bear cost of accident benefits paid to its employees)	M 54

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

NEW RECOMMENDATIONS	Message Page No.
Defer action on pending grant programs	M 28
(a) Grants to States to train teachers of mentally retarded children and children with hearing and speech defects. Cost $1.6 million annually.	
(b) Health special project grants to stimulate application of new programs and practices. Cost $3 million annually.	
(c) Revision in formula for grants to States for child welfare to accomplish change in objective of program and provide matching requirements - Cost $2 million in 1959; $3 million thereafter.	
(d) Grants for studies and investigation in child life to stimulate such studies and make possible fuller utilization of results. Cost $1 million in 1959, increasing to $7 million by 1962.	
(e) Grants to States for control of juvenile delinquency. Cost $3 million in 1959 increasing to $6 million by about 1960.	
Transfer to States program for construction of waste treatment facilities (No budgetary impact in 1959; savings of $50 million annually when transfer is effected) (Bureau of the Budget)	M 28
Transfer to States vocational education program (No budgetary impact in 1959; savings of $34 to $41 million annually when transfer is effected) (Bureau of the Budget)	M 28
Aid to education in federally affected areas - P.L. 815 and P.L. 874 extensions with modifications (NOA $130 million; expenditures $90 million)	M 31
Aid for hospital construction -- Hill Burton Act extension with modifications (1959 reduction of $40 to $50 million resulting from budgetary action in anticipation of proposed legislation)	M 31
Change in public assistance grants formula (no budgetary impact in 1959; future savings $250 million annually by 1965)	M 31
Education (science and general) -- New program for the Department of Health, Education, and Welfare	M 32

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE (Continued)

NEW RECOMMENDATIONS (Continued)

	Message Page No.
Education (science and general) -- New program for the Department of Health, Education, and Welfare (Continued)	M 32

HEW - proposed 4-year program

General Education
- Grants to States for testing, counseling and guidance; institutes for counseling and guidance personnel
  $16,275,000
- Undergraduate scholarships (10,000 a year)
  $8,500,000
- Grants to universities to strengthen graduate education
  $7,800,000
- Support of foreign language teacher training centers
  $1,284,000
- Grants to States to improve educational statistics
  $1,000,000

Science Education
- Grants to States
  - to strengthen State Departments in science supervision - $10 million
  - to strengthen local school systems in science instruction - $100 million

Administrative costs - ~~$145,500,000~~ $641,000.00

TOTAL HEW PROGRAM - $145,500,000

Defer action on previously recommended public works projects -- Construction of Indian sanitation facilities on reservations. Cost $5 - $6 million annually	M 28

PREVIOUSLY RECOMMENDED

Aid medical-dental schools build teaching-research facilities (NOA $15 million, expenditures $3 million)	M 36
Consolidated wage-income tax reporting (Treasury)	M 36

BUREAU OF THE BUDGET

NEW RECOMMENDATIONS

	Message Page No.
Reorganize Department of Defense	M 14
General user charges legislation (savings indeterminate)	M 31
Recover overpayments by Federal Government to railroad retirement account (military service) (recovery of $400 million) (Railroad Retirement Board)	M 37

PREVIOUSLY RECOMMENDED

Government loans interest rates (savings indeterminate) (Treasury)	M 29
Budget and audit control over all government corporations	M 30
Government appropriations on accrued expenditure basis	M 55
Item veto in appropriation acts	M 55

ATOMIC ENERGY COMMISSION

NEW RECOMMENDATIONS

	Message Page No.
Increase State responsibility for regulating and promoting peaceful uses atomic energy, particularly health and safety	M 29

PREVIOUSLY RECOMMENDED

None

CIVIL SERVICE COMMISSION

NEW RECOMMENDATIONS

	Message Page No.
Revisions in pay structures for civilian personnel other than postal. (Classification Act cost $340 million; statutory systems $35 million; Cordiner nondefense $9 million) (Bureau of the Budget)	M 53
Postpone health insurance program for government employees (1959 savings $65 million)	M 54

PREVIOUSLY RECOMMENDED

Remove statutory limitations on number of positions in certain grades (Bureau of the Budget)	M 54
Training of Government employees outside as well as inside agencies (1959 impact slight) (Bureau of the Budget)	M 54

OFFICE OF DEFENSE MOBILIZATION

NEW RECOMMENDATIONS

	Message Page No.
Extend Defense Production Act of 1950 another 2 years beyond 6/30/58 (Defense)	M 20

PREVIOUSLY RECOMMENDED

None

DISTRICT OF COLUMBIA

Message
Page No.

NEW RECOMMENDATIONS

None

PREVIOUSLY RECOMMENDED

	Message Page No.
Home rule for District of Columbia, elect local officials, vote in Federal elections, have a delegate in the House of Representatives	M 55

EXPORT-IMPORT BANK

NEW RECOMMENDATIONS	Message Page No.
Expand lending authority of Export-Import Bank by $2 billion	M 23

PREVIOUSLY RECOMMENDED

None

FEDERAL CIVIL DEFENSE ADMINISTRATION

NEW RECOMMENDATIONS	Message Page No.
Vest in President responsibility for central coordination and direction of nonmilitary defense programs (civil defense) (Office of Defense Mobilization)	M 45

PREVIOUSLY RECOMMENDED	
Joint Federal-State Civil Defense program (NOA $26 million, expenditures $20 million)	M 44

GENERAL SERVICES ADMINISTRATION

NEW RECOMMENDATIONS	Message Page No.
None	

PREVIOUSLY RECOMMENDED	
Extend authority General Services Administration and Post Office Department enter into lease-purchase contracts (Post Office)	M 55

HOUSING AND HOME FINANCE ADMINISTRATION

NEW RECOMMENDATIONS	Message Page No.
Increase State responsibility for urban renewal planning (probable savings under $1 million a year); natural disaster relief (savings indeterminate - depending on number and extent of disasters)	M 29
Remove ceilings on interest rates on guaranteed or insured loans; provide for guaranty or insurance rather than direct loans wherever possible (Indeterminate savings reflected in reduced requests for Capehart purchases, FNMA special assistance) (VA - Bureau of the Budget)	M 30
State and local sharing of administrative responsibilities and financial costs of housing and community development	M 40-41
(a) Local communities share in costs of planning from the start	
(b) Each State establish a special urban renewal and planning agency	
(c) States and localities provide an increasing share of cost of buying and clearing land and other net project costs on all projects initiated in 1960 and later years	
(d) Positive assurance by Federal Government re this program by authorizing funds now for 1959 and each of five succeeding years	
(e) Authorize Urban Renewal Administration help local public agencies finance non-residential urban renewal projects which do not require Federal capital grants by guaranteeing obligations issued to finance such projects (1959 effect of (d) is $200 million. No significant 1959 effect from other proposals; long range impact indeterminate).	
Repeal statutory requirement that all mortgage purchases by FNMA be made at par (NOA for 1959 $90 million -- would be substantially greater if statutory requirement not repealed)	M 42
FNMA aid to displaced families -- increase from $10,000 to $12,000 maximum amount of mortgage (for single family homes) that can be insured	M 42
Increases in maximum interest rates on Capehart military family housing, rental housing (section 207) and cooperative housing (section 213) (temporary reduction in expenditures in 1960 - 1962 up to peak of $50 to $200 million; gradual smaller increase in revenues) (Defense on Capehart military family housing)	M 43

HOUSING AND HOME FINANCE ADMINISTRATION

NEW RECOMMENDATIONS (continued)

	Message Page No.
Remove discount controls on FHA and VA mortgages (savings indeterminate) (VA)	M 43
Increase to $30,000 maximum mortgage amount on owner-occupied housing (FHA)	M 43
Liberalize and consolidate into a separate rental housing program for elderly persons special provisions in existing programs (budgetary impact indeterminate)	M 43
Authorize additional $3 billion per year in maximum permissible dollar amount of outstanding FHA insured mortgages during each of next five fiscal years	M 43
Aids to college housing - interest provisions, guaranties, and new funds authorization (NOA $200 million)	M 43
Extend time limits for authority to construct public housing	M 42

PREVIOUSLY RECOMMENDED

None

NATIONAL CAPITAL PLANNING COMMISSION

NEW RECOMMENDATIONS

	Message Page No.
National Capital Planning Commission park land acquisition. (NOA $1 million. Expenditures $4 million)	M 54 (table)

PREVIOUSLY RECOMMENDED

None

NATIONAL SCIENCE FOUNDATION

NEW RECOMMENDATIONS

	Message Page No.
Education (science and general)	M 32

Expanded National Science Foundation Program (all under existing legislation)
- Science career motivation - $7,700,000
- Institutes for college and school mathematics and science teachers - $35,500,000
- Improve teaching of mathematics and sciences - $24,800,000
- Regular pre-doctoral and post-doctoral fellowships in sciences - $4,400,000
- Grants to strengthen graduate education in sciences - $5,000,000
- Foreign science education and other - $1,500,000

Other National Science Foundation programs:
- Basic research project grants - $40,000,000
- Research facilities grants - $12,400,000
- Grants to strengthen exchange of scientific data, including Russian translations - $2,727,000

Administrative and other Foundation expenses - $5,973,000

TOTAL ALL NATIONAL SCIENCE FOUNDATION PROGRAMS - $140,000,000

PREVIOUSLY RECOMMENDED

None

RAILROAD RETIREMENT BOARD

Message
Page No.

NEW RECOMMENDATIONS

None

PREVIOUSLY RECOMMENDED

	Message Page No.
Sounder financial basis for railroad retirement system (Bureau of the Budget)	M 37

SMALL BUSINESS ADMINISTRATION

NEW RECOMMENDATIONS

None.

PREVIOUSLY RECOMMENDED

	Message Page No.
Tax relief for small business (very small revenue loss)	M 10
Remove limitation on life of Small Business Administration and provide new obligational authority of $53 million (Expenditures $93 million)	M 44

TENNESSEE VALLEY AUTHORITY

NEW RECOMMENDATIONS	Message Page No.
None	

PREVIOUSLY RECOMMENDED	Message Page No.
New generating facilities for TVA by sale of revenue bonds (NOA $125 million (proceeds from sale of revenue bonds); Expenditures $13 million)	M 52

VETERANS ADMINISTRATION

NEW RECOMMENDATIONS

None

PREVIOUSLY RECOMMENDED

	Message Page No.
Revision in veterans' compensation and pension laws (Bradley Commission) (Cost dependent on timing and precise nature of legislation. Assuming grandfather clause, 1959 cost approximately $75 million. Savings over present law of $450 - $500 million by 1965) (Bureau of the Budget)	M 46

THE WHITE HOUSE
WASHINGTON

January 16, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, January 17

At Cabinet last week, you suggested that a full Cabinet meeting soon be devoted to a frank discussion of how to follow up your Messages on the new Budget and the legislative program with effective implementation -- both legislative and executive.

This Friday's agenda has been arranged to accomplish your suggestion.

The major portions of your Messages have been specifically assigned for action to the appropriate Cabinet or White House staff members. On Friday morning, it is suggested that you call on each of these action assignees (listed on the Agenda opposite). Each will be prepared to give a no-more-than-five-minute summation of his action assignment, including:

a) The status of the draft legislation and the prospect of Hearings on it.

b) The likely hurdles facing its passage.

c) The strategy and tactics to be followed.

d) Plans for executive implementation as soon as Congressional action is completed.

e) Recommendations for any further needed actions -- in the areas of policy, strategy, tactics, or executive action, to insure full implementation.

Cabinet discussion and comment can take place after each report.

As the last contributor, General Persons will urge that everyone of the 96 measures listed in the Budget Message either be introduced promptly or be prepared now for immediate introduction.

I have been in touch with each participant to make certain he is well prepared to contribute something fruitful.

In addition to the scheduled discussion, it may be advisable at the end of this item to have a frank exchange on the methods whereby the Administration can mobilize its resources of public support. What we may need is something like the devices proposed by Secretary Anderson on the Budget but on a vastly extended scale, i.e., calling upon all our friends in the business and professional world and in the fields of mass media to give your program the public boost it deserves.

The week after this there will be several items we should take up which involve primarily executive action specifically, including possible measures to counter the economic decline, possible measures to deal with unemployment, and measures to improve the public opinion climate abroad with respect to America and the policies you have enunciated for the free world community.

2. OPERATION ALERT, 1958 (Director Gray)

One additional item has a built-in time factor which makes it impossible to defer: preparations for this year's OPERATION ALERT. Mr. Gray has prepared an information paper which sets forth his proposal for a three-part exercise this year.

This item is not expected to be lengthy.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER—PRIVILEGED

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CI - 58-44/2

January 13, 1958

The White House
Washington

THE CABINET

OPERATION ALERT, 1958

For information of the Members of the Cabinet and their staffs, attached is a paper prepared by the Director of the Office of Defense Mobilization.

This paper, and its attached draft Program Memorandum describe OPERATION ALERT, 1958 as proposed by ODM with the assistance of the Inter-Agency Planning Group. The exercise this year is planned to occur in three phases, as set forth in the two papers.

The attached documents will form the basis for the discussion of this matter at the coming Cabinet meeting.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

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January 13, 1958

The White House

Washington

THE CABINET

Subject: OPERATION ALERT 1958

Discussion: The plans for Operation Alert 1958 have been prepared by the Office of Defense Mobilization, with the assistance of the Inter-Agency Planning Group. The plans take into consideration those matters of major significance identified in Operation Alert 1957 as needing priority attention under an attack situation. These may be summarized as follows:

a. State and local planning action--(the determination, on the basis of their own resources, of the kinds of assistance state and local governments will need from the Federal Government to cope with their state and local situations, and in dealing with each other);

b. State-Federal relations--(utilization of state and local authority, services, and resources; maintenance of law, order, and controls; means of providing assistance to state and local governments within national policies);

c. Emergency management by the Federal Government--(central programming, organizational relations, responsibilities, functions, and lines of authority at national and regional levels).

The exercise will be designed to realistically portray the results of a direct nuclear attack on the United States. The action theme will be to develop, during the simulated period of time when human activity might be reduced to a minimum due to fallout hazards, a blueprint of actions that should be taken as rapidly as the decay of radioactivity in geographical corridors of the country would permit. This will require determinations as to how the situation should be dealt with and evaluations as to the feasibility of the proposed measures for coping with the situation.

For the guidance of state and local governments, an unclassified exercise document will be prepared, containing policy guidance, and a general outline of plans and actions for an attack situation. In order to obtain the most effective results from the state and local exercise, it is recommended that the state governments be asked to summarize at the conclusion of their exercise (1) the excess of significant resources available to them over and above their own requirements, (2) the kinds of Federal assistance in way of resources, services, and controls they will need, (3) the mechanisms presently existing in state and local governments which could be utilized in the administration of Federal assistance, and (4) the preparedness measures which, if taken pre-attack, would have made their post-attack job more manageable.

CABINET PAPER

For Information

FOR OFFICIAL USE ONLY

In order to focus attention on principal problem areas, the exercise will be conducted in three phases:

May--Attack Phase: State and local civil defense operations dealing with the local attack situations, including Federal field participation, as appropriate.

July--Federal Action Phase: Federal Government operations at relocation sites, examining the validity of States' requirements and determining ways and means to meet demands within current plans and program guidance.

September--Evaluation Phase: A small group, from each agency, having responsibility and authority for emergency plans and operations will be convened at High Point to examine the validity, feasibility and consistency of operational measures taken during the first two phases, and to evaluate the adequacy of current policies and program guidance for meeting an attack situation.

It is recognized that this type of exercise will require certain of the agencies to participate in each of the stages. However, the personnel would not necessarily be the same and it will serve to extend the emergency planning experience to the field operations of the federal agencies.

Attachment: Program Memorandum X-14, January 20, 1958,
Subject: Operation Alert 1958.

CABINET PAPER—PRIVILEGED

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ATTACHMENT

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION
Washington 25, D. C.

January 20, 1958
PROGRAM MEMORANDUM X-14

TO HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Operation Alert 1958

1. The purpose of "Operation Alert 1958" is to examine the readiness of the nation at local, state and national levels to meet a direct nuclear attack on the United States.

2. Objectives of the exercise are:

A. To improve national readiness by--

(1) Local and state governments evaluating, on the basis of their own resources, their capabilities to cope with the attack situation and determining the kinds of Federal assistance needed and how such assistance would be utilized.

(2) The Federal Government determining its capability to meet demands arising from the attack and examining the adequacy of Federal Guidance and Mobilization Plans to meet the attack situation.

B. To determine what significant preparedness measures, if taken pre-attack, would make the post-attack job more manageable.

C. To train personnel in local, state and federal governments in habits of thinking needed to cope with emergency conditions.

3. The exercise will be conducted within the scope of Mobilization Plans and Federal Guidance (Central Programming) furnished to federal, state and local agencies.

4. The situation on which the exercise is to be based will be a direct nuclear attack on the United States, with tactical warning only.

5. The exercise will be conducted in three phases, as follows:

Phase One--Attack Phase:

Time--May 6-7.

Participation--State and local civil defense organizations and supporting personnel including field personnel of federal agencies, as appropriate.

Activity--State and local civil defense emergency actions, including public participation, damage reporting and assessment, and local and state survival and recovery actions. States to determine the kinds of Federal assistance needed and report any excess of resources over and above their own requirements.

CABINET PAPER

For Information

Phase Two--Federal Action Phase:

Time--July 14-18.

Participation--Federal agencies (field, region and departmental).

Activity--Activation of relocation sites at field and region July 14th, and at departmental and agency headquarters July 16th. On July 14-15 field and regional activities will be conducted independently. The validity of States' needs will be examined, as well as ways and means for meeting such needs within current plans and program guidance. On July 16-18 the departmental relocation sites will be in operation and in communication with regional and field offices.

Phase Three--Evaluation Phase:

Time--September 15-16-17.

Participation--A small group, from each agency, having responsibility and authority for emergency plans and operations will be convened at the ODM relocation site along with selected regional representatives.

Activity--Examining the validity, feasibility, and consistency of operational measures and the adequacy of policies and central programming guidance.

6. Guidelines, assumptions and administrative instructions for the exercise will be developed with the assistance of the Inter-Agency Planning Group.

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January 22, 1958

The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday, January 24, 1958

1.	Measures With Respect to Economic Prosperity	(Oral)	The Chairman, Council of Economic Advisers
2.	The Highway Program	(Oral)	The Secretary of Commerce The Federal Highway Commissioner
3.	Watches -- Preliminary Discussion	(Oral)	The Director, Office of Defense Mobilization

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

MINUTES OF CABINET MEETING

January 24, 1958
9:00 A. M. -- 11:00 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. Herter
(for Sec. Dulles)
Sec. Anderson
Sec. McElroy
Deputy AG Walsh
(for Mr. Rogers)
Deputy PMG Sessions
(for Mr. Summerfield)
Sec. Seaton
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Deputy Director Stans
(for Mr. Brundage)
Mr. Gordon Gray
Dr. Saulnier

Mr. Leo Hoegh, FCDA
Mr. Bertram D. Tallamy,
Federal Highway Admin.
Col. Meek

Gov. Adams
Gen. Persons
Mr. Rabb
Gov. Stassen
Gov. Pyle
Mr. Siciliano
Mr. Randall
Dr. Killian
Mr. Hagerty
Mrs. Wheaton
Mr. Martin
Mr. Morgan
Mr. Larson
Gen. Cutler
Gen. Goodpaster
Dr. Hauge
Mr. Patterson
Mr. Minnich

Economic Situation - Dr. Saulnier presented a new set of charts designed to show the progress of the current economic movement in comparison with 1953-54 and 1948-49. He stated that statistics available about the beginning of September showed that the economy had reached a peak in July and had subsequently changed direction. On the basis of these several charts, month by month comparisons are being made of developments in relation to the preceding peak. Not until six months after the peak does a movement begin to show its character clearly. After commenting on the charts, Dr. Saulnier concluded that for the present the current recession appears to be no more serious than 1954, that if it follows the 1954 pattern the signs of a rise will begin to appear in April and be definite by mid-year, and that if this movement is to be more severe than 1949 or 1954 it will be because of developments yet to come and not now possible to foresee.

Dr. Saulnier commented that retail sales in December probably did not measure up to many interpretations of improvement and that the seasonal correction factor ought to be revised because of the ever-increasing concentration of sales prior to Christmas. He noted particularly the Michigan University survey of consumer psychology which gives cause for concern pending receipt of the next survey in May. He stated that unemployment figures should increase in January and again in February to a peak of about 5 million -- roughly 7%.

Mr. McElroy then reviewed the procurement outlook and stated that it will increase from $7.9 billion for July - December, 1957 to $13.4 billion for January - June 1958, and then return to $9.9 billion for July - December 1958, thus putting the entire increase for calendar 1958 in the first six months.

Sec. Weeks noted the optimism of the Business Advisory Council in its recent meeting where most groups saw encouraging signs, but the outlook for steel and automobiles remained poor.

Mr. Sessions noted the potential for increasing Post Office rentals and lease-purchase contracts where, by a capital investment of $220 million in 1958, there can be a $1 billion impact on the national economy.

Dr. Saulnier noted the forthcoming Treasury refunding whereby an improvement of the Government debt situation can be accomplished. He cautioned on the possible adverse effect on private investment if too much is done at this time.

Dr. Saulnier concluded that the interval between now and April should be used for preparing bolder Government programs that would be necessary if signs of improvement fail then to appear.

The President stated his close agreement with Dr. Saulnier's evaluation and conclusions. Adding a lighter note, he recounted a current story on psychological factors leading to otherwise unfounded possible retraction. He felt this was not a time for gloom and doom.

Modern Defense Weapons - In a brief exchange with Sec. McElroy, who noted that the pressures for acceleratingnew weapons procurement will increase as more knowledge comes from research, the President asserted that should research bring in better weapons much attention must be given to replacement of the old rather than mere addition.

Interstate Highway Program - In his progress report, Mr. Tallamy stated that the program has proceeded on schedule up to now but that work involving $600 million must be diverted to December, 1959, since the trust fund will not be adequate. Similarly, in FY 1961 the work level must be held to $1.2 billion instead of $2.2 billion. He also stated that increasing costs of construction threaten to run the program to a total of 23 years instead of the original 13 - 16 year program planned (16 years includes a 3-year "wind-up" period for the 13-year program). He stated that some States have planned on the full apportionment but will have to undertake a stretch-out for 18 months unless other arrangements are made.

The President ascertained that there had been no substantial departure of trust fund receipts from the estimates. Mr. Tallamy added that Congress failed to act on this problem last year when the Administration pointed it out.

Sec. Weeks amplified on the new cost estimates which show a $10 billion increase over the original 1954 long-range estimates. He noted that Senator Gore is committed to a major effort to complete the program in 13 years by taking money from general funds if not available elsewhere.

Sec. Weeks then pointed to Budget Bureau proposals for certain reimbursements from the trust fund to other agencies for things like Treasury administrative services, forest roads, aviation facilities from aviation gasoline tax money. He cited also the proposal for a probable $6 billion reimbursement for toll roads already built, a proposal the Administration has opposed. He stated his assumption that the Administration will continue to press for a provision controlling advertising on the System.

The President found it hard to see why aviation gas tax should go into roads when aviation facilities were so desperately needed, but except for this one distinct thing he did not immediately see why other withdrawals from the trust fund should be made. He recalled the major problem of inflation facing the country when the program was originally legislated. He saw great merit in completing the project on schedule and thought that the gas tax might be increased slightly if that could be done without adding another drag on the economy. He felt that a stretch-out of the program would mean that the country would need a new program even before this one would be completed.

The Vice President emphasized the need for pushing this program and the desirability of doing so in the light of the economic situation described by Dr. Saulnier. He felt this program to be one of the great contributions of this Administration and we should keep it up to the mark.

Sec. Weeks indicated that Commerce was studying pertinent proposals. He commented on the major savings effected by truckers using modern highways and the possibility they would be willing to carry a heavier tax load for this purpose. The President felt such a move could well be in order. Sec. Benson, the Vice President and the President made additional comments on the desirability of moving this program on schedule.

Defense Essentiality of Horological Industry - Director Gray noted the decision he would soon have to make under Section 7 as to any essentiality of the watchmaking industry for defense purposes. He stated that he was awaiting a final report from the Defense Department on national security aspects. Mr. McElroy said that the study thus far was not encouraging for the industry. Mr. Gray commented on recent technological changes which have developed [illegible] capabilities elsewhere than in the watch industry. He outlined the various imponderables involved and his expectation that the outcome might go either way.

Sec. Herter observed that the watch companies seemed to anticipate an adverse decision and were mainly interested in getting a decision, whatever it might be, at an early date. Sec. Benson commented on the extensive agricultural exports to Switzerland, and Mr. Randall noted the favorable balance of our trade generally with the Swiss. Sec. Mitchell thought the decision, if on balance, ought to be in favor of American workers if any possibility existed that they would be needed in emergency defense production. The President recounted the Swiss success in getting around the restrictions imposed several years ago. He could not foresee any possibility of the United States successfully competing with the Swiss in watchmaking over the long term, and he did not believe that any effective long-term solution could be found by attempting to protect the American industry.

Sec. Weeks commented that he did not expect, strangely enough, that this decision would have any bearing on reciprocal trade legislation since the watch industry seemed resigned to its fate and would concentrate on importing Swiss movements to be put in American watch cases.

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

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RA - 58-95

January 25, 1958

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, January 24, 1958:

1. Measures With Respect to Economic Prosperity

ACTION:

a) The Cabinet noted with care the charts presented by the Chairman of the Council of Economic Advisers comparing the economic decline since July 1957 with four earlier economic declines, and in particular the graph depicting a statistical estimate of current consumer attitudes.

b) The President indicated his agreement with the analyses and conclusions presented by Dr. Saulnier, i.e., that:

   i) On the basis of presently available evidence, this recession is developing much like 1953-54, in severity and rather like the 1948 decline, but that some features of the current decline are distinctively less favorable.

   ii) From the economic point of view, the policies now being followed by the Administration (e.g., credit, acceleration of military procurement and construction, housing, etc.) should, in general, be continued. The Chairman expressed the hope for a progressive easing of credit, more marked than has so far been achieved.

   iii) The period between now and early April should be used to prepare for bolder measures which should be adopted if signs of improvement are not apparent.

c) Particular attention was called to the impact which public debt refinancing decisions (affecting the long-term capital market) can have on current anti-recession objectives.

d) Emphasis was placed on the leadership which the Administration can give to economic revival by making clear the positive actions it has taken, and is taking, which have a beneficial economic impact.

CABINET PAPER
For Action

2. The Highway Program

ACTION:

a) The Cabinet noted the chart presentation by the Federal Highway Administrator, and his statement that, up to now, contracting and construction progress on the highway program is on schedule.

b) The President indicated that it was his desire to carry through this program within the scheduled 13-year period. The Secretary of Commerce is to prepare proposals to accomplish this.

c) The desirability of legislation to control highway billboard advertising was reaffirmed.

3. Watches -- Preliminary Discussion

ACTION:

a) Upon receipt of the forthcoming report from the Secretary of Defense, the Director of the Office of Defense Mobilization will advise the President concerning watch imports, pursuant to Section 7 of the Trade Agreements Extension Act of 1951, as amended.

b) Note was taken of the points offered in the discussion by the several members of the Cabinet and by the President.

c) Note was taken of the feeling that there was need for a prompt decision.

Maxwell M. Rabb
Secretary to the Cabinet

RA - 58-95

January 24, 1958

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, January 24, 1958:

1. **Measures With Respect to Economic Prosperity**

ACTION:

a) The Cabinet noted with care the ~~comparative measurement~~ charts presented by the Chairman of the Council of Economic Advisers (comparing the economic decline since July, 1957 with four earlier economic declines,) and in particular the graph depicting a statistical estimate of current consumer attitudes.

b) The President indicated his agreement with the analyses and conclusions presented by Dr. Saulnier, i.e., that:

i) On the basis of presently available evidence, this recession (of the current decline) (is developing much like 1953-54, in severity, and milder than the 1948 decline but that some features are distinctively less favorable. ~~will be approximately of the same type as these occurring in 1953-4 and 1948.~~

ii) From the economic point of view, the policies now being followed by the Administration (e.g. credit, acceleration of military procurement and construction, housing, etc) should, in general, be continued.

The Chairman expressed the hope for a progressive easing of credit more marked than has so far been achieved.

~~iii) The period between now and early April should be used to prepare for revision and extension of these policies with the objective of adopting yet stronger bolder measures (e.g. tax reduction; speeding-up of certain Federal easing of credit, increasing Post Office lease-purchase construction; construction) which should be adopted if signs of improvement are not apparent within the next two months.~~

c) Attention was called to the (particular impact which public debt refinancing ~~measures~~ (affecting the long-term capital market) can have on current anti-recession objectives. (Decisi

d) Emphasis was placed on the leadership which the Administration can give to economic revival by making clear the positive actions it has taken and is taking which have a beneficial economic impact.

RA - 58-95

January 24, 1958

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, January 24, 1958:

1. **Measures With Respect to Economic Prosperity**

ACTION:

a) The Cabinet noted with care the ~~comparative measurement~~ charts presented by the Chairman of the Council of Economic Advisers, (comparing the economic decline since July, 1957 with three earlier economic declines,) and in particular the graph depicting a statistical estimate of current consumer attitudes.

b) The President indicated his agreement with the analyses and conclusions presented by Dr. Saulnier, i.e., that:

i) On the basis of presently available evidence, this (is developing much like 1953-54, in severity, and) recession ~~will be approximately of the same type as~~ rather than the 1948 decline but that some ~~those occurring in 1953-4 and 1948.~~ features (of the recent decline) are distinctively less favorable.

ii) From the economic point of view, the policies now being followed by the Administration (e.g. credit, acceleration of military procurement and construction, housing, etc) should,

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iii) The period between now and early April should be used to prepare for bolder measures (e.g. tax reduction; speeding-up of certain Federal construction projects) which should be adopted if signs of improvement are not apparent.

~~within the next two months.~~

c) (Particular) Attention was called to the (Decisions) public debt refinancing ~~measures~~ (affecting the long-term capital market) which can have (impact) on current anti-recession objectives.

d) Emphasis was placed on the leadership which the Administration can give to economic revival by making clear the positive actions it has taken, and is taking, which have a beneficial economic impact.

PRIVATE MEMORANDUM TO GORDON GRAY (cc Randall) & Hauge)

To supplement paragraph 3(b) of Cabinet Record of Action RA 58-95, the following is sent to you as a record of the Cabinet discussion:

~~After~~ There was a full Cabinet discussion of all points of view (~~last~~ the 19— ~~years~~ experience with tariff action, ~~infeasibility~~ the possibility of negotiating with the Swiss for voluntary curbs on imports, importance of Switzerland as a market for U.S. exports, need for protecting the American worker, the expanded capability in the American manufacturing community to perform the kinds of work which in the past the watchmaking industry alone could perform, the effects of U.S. restrictive trade practices on friendly nations, the statement tha American watchmakers were very likely already reconciled to a decision agains further restrictions and that they were planning to import Swiss movements to set in U.S.-made cases, the advantages to be ~~repaed~~ reaped by the Swiss watch cartel, U.S. good relations with Switzerland). After hearing all the points offered, the President indicated his general belief that trade restrictions and quotas are not, over the long term, the best ways of protec the American worker, and that he was not inclined to use these methods in competing with the Swiss watchmakers.

MMR

Wall Street Journal, January 16, 1958

A MAN LIVED BY THE SIDE OF THE ROAD

. . . . AND SOLD HOT DOGS.

He was hard of hearing, so he had no radio.
He had trouble with his eyes, so he had no newspaper.
But he sold good hot dogs.
He put up a sign on the highway, telling how good they were.
He stood by the side of the road and cried, "Buy a hot dog, mister."
And people bought.
He increased his meat and bun orders and he bought a bigger
stove to take care of his trade.
He got his son home from college to help him. But then something happened.
His son said, "Father, haven't you been listening to the radio?
There's a big depression on. The International situation is
terrible, and the Domestic situation is even worse."
Whereupon the father thought, "Well my son has been
to college. He listens to the radio and reads the
papers, so he ought to know."
So, the father cut down on the bun order, took down
his advertising signs, and no longer bothered to
stand on the highway to sell hot dogs.
His hot dog sales fell almost over night.
"You were right, son," the father said to the boy.
"We are certainly in the middle of a great depression."

[Read by the President aloud at Cabinet - 1/24/58]

THE WHITE HOUSE
WASHINGTON

January 23, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, January 24

The following items are listed on the agenda for the Cabinet meeting tomorrow at 9:00 AM:

1. Measures with Respect to Economic Prosperity (Dr. Saulnier)

This is the basic item for Friday's agenda because it involves what undoubtedly is turning into a vital issue for the Fall elections. A fruitful Cabinet discussion of this question can help further in implementing your State of the Union Message since, as you said there, "the Federal government, constantly alert to signs of weakening in any part of our economy, always stands ready, with its full power, to take any appropriate further action to promote renewed business expansion." It is in the light of this pledge that Dr. Saulnier will make his presentation.

His talk will have two parts: The first will deal with economic facts and charts. You have not seen his latest figures and they will be completely new to the Cabinet. The second part will deal with action items and ways in which a program of action can and must be implemented. As proposed parts of this action program Dr. Saulnier will bring up:

a) placement of military contracts;
b) military construction;
c) miscellaneous actions -- such as GSA, Post Office Department and Capehart Housing;
d) credit policy;
e) adequate public disclosure of what we are doing.
(He will call upon Secretary McElroy and Postmaster General Summerfield for brief statements on this score.)

2. The Highway Program (Secretary Weeks)

Secretary Weeks has been anxious to place this item on the agenda in order to bring up several problems which now need advice and action from you and the Cabinet. By placing this item on the agenda your time will be saved from personal conferences on this very subject. Among the problems Secretary Weeks will raise are: questions affecting billboard advertising, the sudden increased cost of the program, and the charge that the road program will be "stretched out so that it becomes obsolete before it is completed."

3. Watches (Director Gray)

This issue is a very sensitive and controversial political, as well as economic, problem. The Elgin Company has just announced the closing of its plant by June. It is important that this question come up at this time because the issue is growing in intensity. This must be somewhat in the nature of a preliminary discussion because the report of Defense's survey of U. S. watchmaking plants is not yet completed. Mr. Gray wishes to have you and the Cabinet review whatever action he takes on this explosive matter.

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

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CA - 58-96

February 6, 1958

The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday, February 7, 1958

1.	Monthly Report on FY 1958 Expenditures and Personnel	(Oral)	The Director, Bureau of the Budget
2.	U.S. Scientific Satellite Program: Defense Report	(Oral)	The Secretary of Defense; The Deputy Secretary of Defense
3.	The Labor Picture This Year	(Oral)	The Secretary of Labor
4.	Status of Proposals Concerning Presidential Disability	(Oral)	The Attorney General

Maxwell M. Rabb
Secretary to the Cabinet

NOTE: Following the meeting, those Cabinet members who wish to stay are invited to listen to Ambassador Thompson, who will give a short report based on his Moscow vantage point. He will answer questions.

M.M.R.

CABINET PAPER

For Action

MINUTES OF CABINET MEETING

February 7, 1958
9:00 A. M. -- 11:00 A.M.

The following were present:

Vice President Nixon

Sec. Dulles
Deputy Sec. Scribner
(for Sec. Anderson)
Sec. McElroy
Mr. Rogers
Mr. Summerfield
Under Sec. Chilson
(for Sec. Seaton)
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage
Mr. Gordon Gray
Dr. Saulnier

Deputy Sec. Quarles, Defense
Mr. Leo Hoegh, FCDA
Adm. Strauss, AEC
Mr. George V. Allen, USIA
Mr. Stans, Budget
Mr. Huntington Sheldon, CIA, in part
Amb. L.E. Thompson, in part

Gov. Adams
Gen. Persons
Mr. Rabb
Gov. Stassen
Dr. Killian
Mr. Siciliano
Gen. Cutler
Mr. Larson
Dr. Hauge
Mrs. Wheaton
Mr. Martin
Gen. Goodpaster
Mr. Patterson
Mr. Minnich

(The President did not attend this Cabinet Meeting.)

Scientific Satellite Program - Mr. Quarles indicated that the failure of the second Vanguard launching was still not accurately known but seemed to be only a minor problem and that two more test vehicles would probably be attempted before trying a 21-inch satellite late in March.

Mr. Quarles then outlined some of the differences in comparing the Vanguard and the Explorer and the types of fuels used. He stated that the Army has scheduled one additional Explorer and might be authorized by the Department of Defense to launch larger satellites later in the year. He said that the Vanguard project was being observed closely to determine whether it should be continued in light of the Explorer successes.

The Eisenhower Library

Dr. Killian sketched the kind of scientific data obtained from the satellites regarding cosmic rays, temperatures, erosion caused by space particles, and micrometeorites. Looking forward, he cited the need for determining what would be desirable legitimate objectives of further experiments, such as weather, astronomical observation from outside the atmosphere, and communications. Dr. Killian then outlined the possible phases of developments in respect to heavier earth satellites, then intermediate space projects such as hitting or circling the moon, manned space flight once the re-entry problem is conquered, and then going all the way to Mars. He pointed out that such things as these are now under consideration by the Scientific Advisory Committee from which recommendations would be forthcoming at a later time.

PORTIONS EXEMPTED
E.O. 11652, Sec. 5 (B) (2) (3)
NSC Letter 8/31/77
FILE Date 9/21/77

In response to queries, Dr. Killian told the Postmaster General that [redacted]]to Mr. Stassen he replied that Russia has not yet reported much scientific information to the International Geophysical Committee in Belgium; to Mr. Rogers he stated that Russia might shoot the moon before we do but that there was opportunity for the United States to be first in other fields even though we must anticipate several spectacular Russian achievements before we get one; to Mr. Summerfield he replied that we can only guess as to whether Russia has had failures as well as successes.

In response to other questions, Mr. Quarles told Sec. Benson that the exact cost of our satellite efforts was difficult to determine because so many military facilities were being used; to the Postmaster General he indicated that the United States has plans for a propulsion system as powerful as the Russian single motor but that some question remains as to the greater desirability of a single chamber or a multi-chamber rocket; to Mr. Scribner he indicated that another launching site might be developed within the coming year on the West Coast.

The Vice President stressed the interest of the Legislative Leaders in all possible acceleration of our space programs. Mr. McElroy commented that such action was at the heart of the question of objectives and decision would soon be reached on the basis of advice from the most knowledgeable scientists in the country.

The Vice President noted the pending question as to establishing a non-military agency for a civilian outer space program so that military requirements would not result in a limiting of outer space programs for other purposes, and also to avoid any implication that peaceful projects are under control of military authorities.

Mr. McElroy told the Cabinet that his Department would announce later in the day the establishment of its new space agency, thus bringing specific responsibility into the Department of Defense, but that this directing agency would in many cases utilize service facilities.

Budget Review - Mr. Brundage went over the current expenditure rate, showing that for all departments expenditures are $2 1/4 billion above the first half of FY 1957. For personnel, the level stands at 70,000 less than it did in December 1956, a reduction of 90,000 having been accomplished by the military services.

Mr. Brundage indicated that receipts estimates had not changed at this point.

Labor Developments - Sec. Mitchell foresaw the coming year as a very difficult one because of the extensive negotiations that will occur, particularly in the aircraft and automobile industries. He believed these negotiations would be complicated by the atmosphere of lower take-home pay caused by a reduction of hours in the work week.

Sec. Mitchell focused especially on the aircraft negotiations and the need for the Government soon to determine how essential it considered continuity of aircraft production since a strike might be in the offing lacking governmental action. Mr. McElroy tentatively believed that a strike at Douglas, for instance, would not affect national security depending on possible duration. He indicated he would look into production schedules. The Vice President cited the public pressure that would be placed on the Government to terminate a strike in any plant engaged in missiles activity. Sec. Mitchell stated that the Administration was studying the possibility of invoking Taft-Hartley action for only that part of a company's operations that related to security.

Sec. Benson noted the strong public opinion against any wage increase and particularly the sensitivity of farmers to anything that would increase their costs. The Vice President noted the merit of the President's position with regard to "productivity" wage increases.

Mr. Siciliano stated that there was no basis on which could be established a justifiable equivalent increase of Government salaries because of the wide variations in salaries and raises in and out of Government in past years.

Moscow Report - Amb. Thompson, home briefly from Moscow, told the Cabinet that Soviet policy is often better interpreted from the internal developments than from easily changed foreign maneuvers. He believed a key factor to be uncertainty caused by the death of Stalin, who was regarded as infallible. He said Russia was now trying to operate the system without resorting to terror, a policy still of doubtful outcome. The recent economic decentralization was evidence of the difficulty of trying to run so vast an economy from one desk in Moscow, an effort that had caused some "magnified errors" in the past.

PORTIONS EXEMPTED
E.O. 11652, Sec. 5 (B) (2) (3)
NSC letter 8/31/77
NLE Date 9/21/77

Amb. Thompson thought it striking that Khrushchev was relying on the Party whereas Malenkov had tried to use the bureaucracy.

He reported that Khrushchev had remarked to a correspondent that 'the new generation just doesn't think the way we do'. While there was no basis for expecting revolt, he did see some difficulty from the popular disinclination of the people to believe so strongly in the present regime as they did in Stalin personally.

He emphasized the longing of the Russian people for a world settlement so as to improve their standard of living, hence Khrushchev's anxiety to get any sort of an agreement with the United States.

Mr. Thompson felt that the greatest danger in our position came from the vast Russian effort to woo the uncommitted countries through extending aid, training large numbers of students for technical assistance abroad, less red tape, etc. Sec. Dulles and the Vice President added a comment on the importance of this.

Responding to Mr. McElroy and Mr. Folsom, Amb. Thompson characterized the Russian educational system as very good but perhaps less so than the exaggerated stories appearing in our press. He felt much time was wasted on memorizing things, ideology, and much talent wasted in using engineers for simple tasks.

Mr. Thompson stated that the standard of living is improving slowly but at a rate satisfactory to the Russians, and that there is increasing evidence of class distinctions particularly to the advantage of scientists.

Reverting to an earlier comment, Amb. Thompson believed it not inevitable that fanatics should get control and he took hope from the evidence that Khrushchev is successfully pulling them to a more rational position. Sec. Dulles added that the Soviet seems to be moving in two opposite directions at the same time, as witness Khrushchev's tirade of January 22 in the Lenin-Stalin violent tradition, even while moving toward less iron discipline in the imposition of Party views. The same doctrine prevails in the "inevitability of war with capitalism" along with approaches to the United States for negotiations. Amb. Thompson wondered how much of the fanatical was done by Khrushchev because of being under pressure internally.

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

3. The Labor Picture This Year

ACTION:

a) The Secretary of Defense will ~~review~~ analyze current and Defense future production scheduled for the industries which will be involved in wage contract negotiations this year.

b) The Attorney General will desi~~gnate an~~ officer to work with the Depar~~tment~~ of Defense ~~in the above review~~ analysis.

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RA - 58-96

February 7, 1958

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, February 7, 1958:

1. Monthly Report on FY 1958 Expenditures and Personnel

   Information Item Only.

2. U.S. Scientific Satellite Program: Defense Report

   ACTION:

   a) The Cabinet noted and discussed the reports of the Deputy Secretary of Defense and the Special Assistant to the President for Science and Technology.

   b) The President's Science Advisory Committee is preparing an analysis, with recommendations, of the possible and feasible program objectives in outer space research and exploration; this analysis will be presented to the Cabinet at a later date.

3. The Labor Picture This Year

   Information Item. (Certain action assignments have been noted by and confirmed to the affected Departments.)

4. Status of Proposals Concerning Presidential Disability

   ACTION:

   Deferred.

ADDITIONAL ITEM:

A. Briefing by Ambassador Thompson

ACTION:

The presentation by Ambassador Thompson was noted with appreciation by the Cabinet.

Maxwell M. Rabb
Secretary to the Cabinet

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THE WHITE HOUSE
WASHINGTON

February 10, 1958

~~SECRET~~

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Summary of Friday's Cabinet Meeting

Friday's Cabinet meeting, which the Vice President chaired, produced the following highlights which may be of interest to you:

Item 1 -- Monthly Expenditure and Personnel Report

The figures given were:

EXPENDITURES

Agency	Difference (plus or minus) between cumulative totals thru December -- FY 1958 as compared with FY 1957: (in millions of dollars)
Agriculture	+ 335
Commerce	+ 56
Defense --	
military	+ 983
civil	+ 36
HEW	+ 206
Interior	+ 42
Justice	+ 4
Labor	+ 19
Post Office	+ 47
State	+ 13
Treasury	+ 316
AEC	+ 150
Mutual Security	+ 59
VA	+ 196
GSA	- 48
HHFA	- 130

DECLASSIFIED
E.O. 11652, Sec. 11
MC 76-119 #4
By J.W. Date 9-29-77

~~SECRET~~

EXPENDITURES (Cont'd)

Agency	Difference (plus or minus) between cumulative totals thru December -- FY 1958 as compared with FY 1957: (in millions of dollars)
Defense Production Expansion	+ 90
All Other	- 115
TOTAL	+ 2,259

PERSONNEL

Agency	December 31, 1957 as compared with December 31, 1956:
Agriculture	+ 2,686
Commerce	+ 4,736
Defense --	
military	- 90,408
civil	- 345
HEW	+ 3,345
Post Office	+ 11,481
Interior	+ 500
Justice	- 12
Labor	- 126
State	- 233
Treasury	- 608
AEC	+ 110
Mutual Security	+ 1,427
VA	- 2,714
GSA	+ 237
HHFA	- 203
All Other	- 70
TOTAL	-70,197

Item 2 -- U.S. Scientific Satellite Program - Reports by Messrs. Quarles and Killian

The Vanguard program has been bedeviled by minor equipment trouble, and therefore Defense is watching it carefully to see whether it should in fact be continued, in the light of the Army's successful back-up program. The Army has been authorized one additional launching of the Explorer type -- planned for next month; it is prepared to launch another larger satellite later in the year, if authorized.

Dr. Killian explained that he and the Science Advisory Committee are now making a thorough study of the proper and feasible objectives for outer space research and exploration -- in order to recommend a balanced, realistic program. The Cabinet could later consider the results of this study. He outlined the various categories or phases of space exploration in a rough chronological order of possibility. With respect to the Explorer, he pointed out that the world scientific community will likely soon recognize the superior scientific and electronic capabilities of our satellite vis-a-vis the Sputniks, but we cannot be sure of this until the Sputnik data has been analyzed. He cautioned the Cabinet that we must expect some additional, dramatic Soviet space developments, such as a shot at the moon, between now and the time we can catch up with them in this field. This we will do -- and will surpass the USSR -- but it will take some time.

The Vice President emphasized that the Administration must make the case that it is doing everything that can be done in this realm of endeavor. He felt that the Legislative Leaders went away from the last Leaders' meeting unconvinced on this point. He further cautioned the Cabinet that our outer space program should not be publicly cast exclusively or even primarily in terms of military interests; this program should in fact be a contribution to world science and scholarship.

Item 3 -- The Labor Picture This Year

Secretary Mitchell explained that based on escalator clauses, four million workers have already received 1958 wage increases.

He pointed out that this fact, plus the charge that real wages have declined, will form the backdrop for the new wage contract negotiations coming up.

The first major bargaining will be in the aircraft industry -- where 85% of the production is for the government. (Lockheed is negotiating now; the contract expires in March.) The same union (UAW) is involved now as will be involved in the auto negotiations later -- and the aircraft unions are determined to "catch up" with the auto unions in terms of wage rates. Aircraft industry people say they must hold the line -- so there is a possibility of one or more major strikes.

Certainly in the aircraft and probably in the auto negotiations to follow, the government will be faced with this question: how much of a strike can the government and its defense programs afford? Whatever pattern is set with the aircraft industries -- in negotiations, in strikes, in government policy -- will have a profound effect on the auto bargaining. (The auto unions for their part want to "catch up" to the steel unions in wage rates.)

It was agreed that Secretary McElroy would personally conduct a study of Defense production schedules from the industries which are going to be involved in wage contract negotiations this year -- such a study to be the basis for full consideration of the government's attitude and policy toward any resulting strikes. Attorney General Rogers will designate an officer from Justice to work with Defense on this study, since the use of the Taft-Hartley Act will be involved. The query was made whether the Taft-Hartley Act could be used selectively -- e.g., in case of a strike at General Motors, to apply only to those shops in General Motors doing defense work. Secretary Mitchell thought that such a selective use was possible.

Secretary Benson spoke out against any pattern of wage increases which would have the effect of increasing costs to farmers.

The formal part of the meeting concluded; following this, Ambassador Thompson and the Secretary of State briefed the Cabinet on US - USSR relations at present, with Ambassador

Thompson giving the Cabinet some of his impressions from his Moscow vantage-point. The Cabinet Members were most impressed by the Ambassador's conclusion that the Russians, even though apparently advancing because of their scientific and propaganda successes, in fact are beset with great internal strains and difficulties. Their "classless society" is now in fact one of the most rigid and privileged in the world. Even though "no revolt" is indicated, these strains act as pressure on Kruschev and as a constant prod to take measures to bolster morale and raise the domestic standard of living. This briefing, optional in terms of Cabinet attendance, was of great value to the Cabinet Members, and everyone stayed to listen and participate.

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

SECRET

THE WHITE HOUSE
WASHINGTON

February 6, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, February 7

The following items are listed on the agenda for the Cabinet meeting tomorrow at 9:00 AM:

1. Status Report on FY 1958 Budget and Personnel Expenditures (Mr. Brundage)

Mr. Brundage is now ready to resume the series of periodic status reports which you and the Cabinet requested last year and which have, every month, been a fruitful source of information on government costs and size. It is through this device that you and the Cabinet can monitor, and to some extent control, the rates of fund-outgo and hiring of personnel.

2. U.S. Scientific Program: Defense Report (Secretary McElroy and Mr. Quarles)

As you suggested, this item has been placed on the Cabinet agenda, and it represents a significant and useful subject for the Members of the Cabinet.

3. The Labor Picture This Year (Secretary Mitchell)

The Secretary of Labor has asked to speak to the Cabinet about his estimate of what is likely to occur on the labor front this year. Current economic problems are serving to focus ever-increasing attention upon this situation. The present and future unemployment picture, the new contract negotiations, Reuther's call for profit-sharing, as well as large wage increases all call for special Cabinet attention. In the light of the several profitable Cabinet discussions recently on the state of the economy, I believe

Secretary Mitchell's presentation will be highly appropriate and very much in order.

4. Status of Proposals Concerning Presidential Disability (Mr. Rogers)

In view of the fact that Cabinet Members will be meeting this question at press conferences, TV appearances, etc., it is important that they have a feeling for what you and the Attorney General consider wise and unwise as guiding principles in this whole matter. Much has appeared in the newspapers recently about new Congressional positions on this subject -- which was discussed last year in Cabinet at your suggestion.

NOTE: We anticipate that this Cabinet meeting will be quite short. At the conclusion of the meeting, it has been arranged (with the concurrence of the Secretary of State) that Ambassador Thompson be available to say a few words to those Members of the Cabinet who care to stay regarding the US/USSR picture, as seen from his Moscow vantage-point. He and the Secretary have already talked with you, so you will not need to stay. What he will have to say, however, will be of intense interest to all the other Members of the Cabinet.

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER—PRIVILEGED

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CA - 58-97

February 27, 1958

The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday, February 28, 1958

1.	Discussion of the Economic Situation	(Oral)	
a.	Survey of Current and Anticipated Conditions		The Chairman, Council of Economic Advisers
b.	Public Works Planning		The Special Assistant for Public Works Planning
c.	Post Office Construction		The Postmaster General
d.	Problems of Small Business		The Administrator, Small Business Administration
3.	Aid to Depressed Areas		The Acting Secretary of Commerce
f.	Revenue Estimates		The Acting Secretary of the Treasury
2.	Monthly Status Report on Expenditures and Personnel Levels	(Oral)	The Director, Bureau of the Budget
3.	Budgeting for Mobilization and Civil Defense Preparedness Activities	(CI - 57-50)	The Director, Office of Defense Mobilization The Administrator, Federal Civil Defense Administration

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

MINUTES OF CABINET MEETING

February 28, 1958
9:10 A. M. -- 11:00 A. M.

The following were present:

President Eisenhower
(for only a short period of time)

Vice President Nixon
Sec. Dulles
Under Sec. Scribner
(for Sec. Anderson)
Sec. McElroy
Mr. Rogers
Mr. Summerfield
Under Sec. Chilson
(for Sec. Seaton)
Sec. Benson
Under Sec. Walter Williams
(for Sec. Weeks)
Sec. Mitchell
Sec. Folsom

Director Brundage
Mr. Gordon Gray
Dr. Saulnier

Mr. Wendell Barnes, SBA
Mr. Leo Hoegh, FCDA
Mr. Maurice Stans

Gov. Adams
Gen. Persons
Mr. Rabb
Gen. Bragdon
Col. Meek
Mr. Siciliano
Mr. Morgan
Mr. McCabe
Dr. Hauge
Gen. Cutler
Mr. Larson
Mrs. Wheaton
Mr. Martin
Capt. Aurand
Gen. Goodpaster
Mr. Patterson
Mr. Minnich

Economic Situation - Dr. Saulnier made a presentation similar to that at the January 24th Cabinet meeting, bringing some statistics up to date. While his conclusions were generally the same (like 1954 as of now, and "wait and see"), he noted a tendency of items in the "more serious" category to show a worsening sufficient to give pause. He pointed out that the speed of decline is increasing in some categories, abating in others. The automobile situation continued to remain bad, of great concern since general recovery might best be expected from improvements in autos, construction, and defense expenditures. He cited some improvement in residential construction, noted additional actions that would be helpful, and urged especially early Congressional attention to housing legislation.

(The President entered the meeting at this point.)

Dr. Saulnier cited the optimism of reports in February from the National Association of Purchasing Agents where fewer reported decreasing orders than in January and more reported increasing orders than in January. Dr. Saulnier hoped that the credit ease would continue even beyond its present condition, that Government procurement activities could be accelerated quickly and wisely, and that the Administration could contribute to greater confidence throughout the economy.

While Dr. Saulnier was confident that the decline was "bottoming out" he could not foresee any signs yet of an upturn and felt that the Administration might have to become active to promote that upturn.

Sec. Dulles cautioned on the adverse foreign impact of over-publicizing defense expenditures as helping to solve the problem.

Sec. Mitchell hoped a full review could be made of the highway program so that desirable actions could be taken quickly to provide both direct and indirect employment through it. Dr. Saulnier said that decisions would soon be forthcoming from a very careful study. Sec. Mitchell suggested a Congressional advance of funds to supplement the gas tax, Mr. Brundage observed that this would add to a deficit, and the President seemed willing to get some emergency money for something that could be brought into play immediately and effectively. Mr. Brundage thought the trust fund money this year would more than provide for the work ready to be accomplished. Gov. Adams emphasized the timing problem and the need for legislative amendment if there was to be any possibility of including highway construction in the "on shelf" projects.

Public Works - Gen. Bragdon reviewed the status of his planning, particularly with regard to the factor of how soon various specific projects could be initiated and whether they could be completed within two years. His proposal under development, he said, did not go very deeply into State and local programs but he was studying a project of advancing funds to the States for certain works that would bring a maximum of immediate employment.

As an interim action, Gen. Bragdon recommended (1) that there be no announcement of any particular programs until the President is satisfied a balanced program has been developed, and (2) that work be continued to develop a $4 1/2 billion program to be submitted to the Congress at such time as the President decides it is needed.

(The President left the meeting in the course of General Bragdon's presentation.)

The Vice President thought public opinion would accept an accelerated highway program more readily than any WPA-type or "make work" program. Sec. Folsom called attention to the readiness of the various hospital construction projects which had the virtue of being desperately needed.

The Vice President believed the Administration should have ready in about a month a "bank" of actions for the President to put before Congress. He felt Congress should be put to a test as in 1946-48, particularly with regard to the Housing Act. He emphasized the desirability of sending a "package" request to Congress rather than unrelated single proposals.

Gov. Adams reported progress on drafting a highway bill, on Sec. Seaton's forthcoming recommendations to the President on the acceleration of going construction, and on Mr. Folsom's study of HEW projects. He indicated that the President's budget policies are still in effect and current budget objectives are not to be ignored even though the present extensive activity might suggest otherwise.

Post Office Modernization Program - Mr. Summerfield indicated that the necessary studies were being made for accelerated Post Office modernization programs up to a level of perhaps $1 1/2 billion within two years. He noted also the orders being placed for new trucks.

Small Business - Mr. Barnes reported that Small Business had experienced a noticeable but not serious effect thus far from the recession. He found it impossible to generalize on the incidence of business failures since the rate of formation has been so high for the past four years. He saw some difficulty resulting from the effect that defense programs must generally pass through a prime contractor thus delaying its impact on small business and its employees.

Mr. Barnes noted the status of Small Business legislation pending in Congress.

Surplus Labor Areas - Sec. Weeks noted the role of the Area Development Program with its long-range help to communities to help themselves. This was especially valuable as a clearing house for ideas. At short range, he said, the program assists in contract procurement in cooperation with the Small Business Administration.

Mr. Gray cautioned against expecting much help for surplus labor areas from the procurement Order operated under the Mobilization Program. Throughout the history of that Order, only a tiny fraction of total procurement had been directed to such areas.

Sec. Mitchell thought that the Administration's proposed Area Assistance Act, developed quite a while ago, might be reviewed for liberalizing under present conditions.

Gov. Adams stressed the need for being sensitive to situations that could mushroom into something very difficult, and he asked Mr. Williams to be especially sensitive to them and alert appropriate

Government agencies to any need for rapid action.

Foreign Relations and the Economic Situation - Sec. Dulles emphasized State Department's great interest in restoration of the economy since the downturn can affect our foreign relations in many ways -- increasing the difficulty of reciprocal trade and mutual assistance legislation which, if dealt with inadequately by the Congress, can lead to a trend in many other countries of turning to Russia. Similarly, the downturn can lead to a re-growth of isolationism in the United States which could cause the collapse of our foreign policy. The Vice President concurred in these views and took note of a Cleveland newspaper editorial violently opposed to some aspect of our foreign relations -- this in an area not known for isolationism. Sec. Dulles recalled the 1929-35 era when the Smoot-Hawley Tariff and other economic actions contributed to the growth of dictatorial power in Germany and Japan and weakened the co-operation of countries naturally opposed to totalitarianism. Sec. Dulles believed for these reasons that our economic recovery must be rapid or it could be too late.

The Vice President then stated his agreement with Dr. Saulnier's view that it may be necessary not only to act to stop the downturn but also to act further to cause an upturn.

Fiscal Situation - Mr. Scribner estimated on the basis of latest Treasury receipts that the total for the year might run $1 billion or more below the earlier estimate of $72.4 billion, since excises have dropped off, corporation profits estimates have been reduced, and withholding taxes fell off in January and February.

Budget Situation - Mr. Brundage summarized his presentation into a tentative forecast that FY 1958 may show a $2 billion deficit rather than the originally anticipated $300 million surplus.

The Vice President, Dr. Saulnier, Secretaries Benson and Folsom, and the Attorney General all commented briefly on items that might be featured in public comments. Mr. Rogers stressed the need for talking about specific actions, both accomplished and proposed, rather than anticipated trends.

Budgeting for Non-Military Defense (CI 57-50) - Mr. Gray alerted the Cabinet that Congressional Committees had not completely accepted the earlier proposal as to budgetary arrangements for FCDA and ODM delegated functions, hence it would be necessary to revise the approach and a new proposal would be forthcoming soon.

Defense Essentiality of Horological Industry - Mr. Gray noted that his decision on this matter under Section 7 would be announced at noon.

LAM

L. A. Minnich, Jr.

Copies to:

Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

RA - 58-97

March 1, 1958

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, February 28, 1958:

1. Discussion of the Economic Situation

ACTION:

In the light of the need for emphasis on concrete actions, as underscored by the President, the Vice President and other Members, the Cabinet considered the following aspects of this subject:

a) Survey of Current and Anticipated Conditions:

The Cabinet noted the report given by the Chairman of the Council of Economic Advisers, including his suggestions for:

(i) increased easing of credit;
(ii) further actions (both administrative and legislative) in the housing field;
(iii) accelerated procurement, within existing expenditure and appropriations ceilings, of items where purchasing or contracting can be effectively speeded-up;
(iv) increased attention by Cabinet officers to making full public use of factual business or governmental developments which will increase confidence and foster economic recovery.

The Cabinet noted the Secretary of State's warning against undue nationwide publicity which would tend to create the impression that the health of our economy is dependent upon military expenditures (this not to preclude customary local announcement of actions of interest to particular areas.)

b) Public Works:

The Cabinet noted the interim report and the preliminary outline of a possible Feasibility Plan by the Special Assistant for Public Works Planning, including his recommendations:

(i) That there be prepared for the President's consideration a balanced program of Federal and Federal-aid projects in the magnitude of 4.5 to 5 billion dollars, including, in all fields, projects capable of early initiation.

(ii) That, if and when determined to be required by the President, such a program be submitted as a package to the Congress.

(iii) That pending this submission, no announcements be made of approval of programs of special types of public works.

c) Post Office Construction:

The Cabinet noted the report by the Postmaster General on Post Office construction and modernization and on the community-by-community announcement thereof.

d) Problems of Small Business:

The Cabinet noted the report by the Administrator of the Small Business Administration.

e) Area Development:

The Cabinet noted:

(i) The report by the Acting Secretary of Commerce on the long-range and short-range functions of the Office of Area Development;

(ii) The suggestion by the Assistant to the President that a single point in the Department of Commerce be designated to provide advance warning about areas approaching unusually severe economic distress and to serve as a clearing house and facilitating point for information on the Federal assistance which would be available to such areas;

(iii) The indication by the Director of the Office of Defense Mobilization that he has brought to the attention of the Secretary of Defense and the Administrator of General Services the question of improving the effectiveness of the current Defense Manpower Policy Number Four;

(iv) The strong recommendation of the Secretary of Labor that the Administration review promptly its proposed Area Assistance Act with a view to strengthening it and relating it to the alleviation of certain foreign trade problems.

f) Revenue Estimates:

The Cabinet noted the report by the Acting Secretary of the Treasury on the trend now noticeable in tax receipts.

g) The Highway Program:

In view of the report by the Secretary of Labor that there are States, beset by unemployment, where land acquisition, engineering, and construction capability have progressed to a stage at which highway construction can be expanded immediately, the President indicated that he would see nothing against exceptional appropriations or authorizations which would allow this program to move ahead more rapidly. Legislative proposals regarding the Highway Program are being prepared for early consideration.

2. Monthly Status Report and Expenditures and Personnel Levels

ACTION:

Noted by the Cabinet.

3. Budgeting for Mobilization and Civil Defense Preparedness Activities (CI - 57-50)

ACTION:

The requirement for changing these procedures was noted by the Cabinet.

ADDITIONAL ITEMS:

A. Watches

ACTION:

The Cabinet noted the report by the Director of the Office of Defense Mobilization of the decision which he had made and which was being made public within the hour.

Maxwell M. Rabb
Secretary to the Cabinet

THE SECRETARY OF COMMERCE
WASHINGTON 25

The Honorable
Sherman Adams
The White House
Washington, D. C.

Dear Sherm:

At Cabinet on February 28 you suggested that it would be desirable if there was one agency that could act as a clearing-house for information as to the various means and measures by which the Federal Government could be of assistance to communities.

I am enclosing a copy of a booklet which has been prepared in our Office of Area Development, and which I believe will be very useful to communities seeking advice from the Federal Government.

We are perfectly willing to be assigned this responsibility within the capacity of our personnel to handle delegations that may be referred to us.

I believe this booklet will be of considerable assistance to minimise the personal contacts that might otherwise be requested.

Sincerely yours,

SINCLAIR WEEKS

Secretary of Commerce

FEDERAL ACTIVITIES HELPFUL TO COMMUNITIES

U. S. DEPARTMENT OF COMMERCE

OFFICE OF AREA DEVELOPMENT

FEDERAL ACTIVITIES HELPFUL TO COMMUNITIES

U. S. DEPARTMENT OF COMMERCE
Sinclair Weeks, Secretary

OFFICE OF AREA DEVELOPMENT
Victor Roterus, Director

For sale by the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.
Price 20 cents

FOREWORD

More and more communities are becoming interested in improving their services, and diversifying or expanding their local economies. This booklet outlines the types of assistance that Federal agencies make available to help such communities in their programs to accomplish these objectives. For communities with Federal programs already underway, it will serve as a checklist by which they can make certain that *all* available sources of assistance on the Federal level have been considered. Local groups should also consult with offices of the several State governments on help available at the State level.

The following information is provided herein:

- The name of each Federal department and agency that offers community assistance, with the names of subsidiary offices or bureaus having jurisdiction for specific programs.
- A brief description of the nature and purpose of each program.
- The names and addresses of regional or branch offices where information in greater detail is available.
- Titles of available publications and printed materials which provide fuller descriptive information.

Library The Dwight D. E

The information listed for each program was supplied by the Federal agency which has primary responsibility for the program. The listings are in two general categories: (1) Policies of the President and the Office of Defense Mobilization governing the application of Federal programs to the solution of problems in labor-surplus areas; and (2) Federal executive agencies that administer programs authorized by the Congress for various purposes. Federal funds are expended by such agencies either for *technical assistance and consultation* or for *financial assistance, procurement, and consultation.* The services offered by each agency are listed under one or both of these headings.

Victor Roterus

Victor Roterus, Director
OFFICE OF AREA DEVELOPMENT

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The information given in this publication is arranged under the Federal departments and agencies that provide community assistance, as listed in the foregoing table of contents. For the convenience of those seeking particular types of Federal aid, an itemized listing of Federal activities is given on page 30. If, for example, the reader is interested in grants for sewage treatment construction, the index will refer him to page 20, under Health, Education, and Welfare.

I. General Policies on Assistance to Local Areas

EXECUTIVE OFFICE OF THE PRESIDENT

Under Executive Order No. 10582 dated December 17, 1954, the President established uniform procedures for application of the Buy American Act of 1933. This law provides that preference in the award of Government contracts shall be given to domestic suppliers, as against foreign suppliers, unless the domestic supplier's bid or offered price is unreasonable or the award to him would be inconsistent with the public interest. The Order also permits rejection of a foreign bid or offer in any situation in which the domestic low bidder would produce substantially all of the materials in areas of substantial unemployment as determined by the Secretary of Labor after a determination by the President that such preference would be in the national interest. In issuing the Executive Order the President made the determination that such preference was at present in the national interest.

Contact: None. (See under individual agencies.)

Printed Material: See *Federal Register*, Vol. 19, No. 246, pp. 8723-25. See also Department of the Interior press release for November 14, 1955. *Department Procedures Strengthen "Buy American" Provision.*

OFFICE OF DEFENSE MOBILIZATION

Defense Manpower Policy No. 4, *Placement of Procurement and Facilities in Areas of Imminent Labor Surplus*, is designed to encourage the placing of Government contracts and facilities in labor-surplus areas and to assist such areas in making the best uses of their available resources. Under this order, Federal procurement agencies are directed to make "set-asides" in appropriate cases. A portion of a total purchase may be set aside for negotiation with firms in labor-surplus areas which must meet the prices, established through the competitive formal buying procedure. Agencies must also give full opportunity to firms in labor-surplus areas whose names are on bidders' lists to submit bids or proposals. Agencies are directed to award contracts in the event of tie bids or offers on any procurement to firms located in labor-surplus areas.

The policy also provides for the intensification of service to these areas by all appropriate Federal agencies.

Contact: John F. Troy, Manpower Specialist, Office of Defense Mobilization, Washington 25, D. C.

Printed Material: Defense Manpower Policy No. 4 (Revised, *Placement of Procurement and Facilities in Areas of Current or Imminent Labor Surplus*, Office of Defense Mobilization (IV-Man-DMP.) 4 (Revised), November 5, 1953. Washington, D. C. (Mimeographed).

II. Federal Agency Programs and Activities

DEPARTMENT OF AGRICULTURE

Technical Assistance and Consultation

FEDERAL EXTENSION SERVICE.—Through its various programs, the cooperative Federal-State Extension Service provides educational and technical counsel to farm families and others seeking such assistance. It makes available the results of research and agricultural and related problems; helps those concerned to use these results to reduce costs, increase incomes, and adjust production more nearly to market demands.

Contact: Full- or part-time farmers in labor-surplus areas may get information on the services available by consulting with State farm extension officers (located at State agricultural colleges) or the local county extension agents.

Printed Material: *Directory of Organization and Field Activities of the Department of Agriculture*, 1957. Superintendent of Documents, Washington 25, D. C. 65 cents. (Also useful as a reference to other Department of Agriculture programs.)

FOREST SERVICE.—Administers 149 National Forests, developing their resources for permanent service to local communities; conducts research in improved techniques for forest management and utilization; cooperates with States and private landowners in forest protection and promotion of good timber management; assists local areas in surveys of forest resources, markets, and employment possibilities. Cooperates with State foresters to provide reasonably priced forest-tree-planting stock; to protect forest lands from fire; and to give technical forestry assistance to the Nation's more than 4 million woodland owners and 50,000 forest-products industries.

Contact: Headquarters Office, Forest Service, U. S. Department of Agriculture, Washington 25, D. C.; or its regional offices in Juneau, Alaska; San Francisco, Calif.; Denver, Colo.; Milwaukee, Wis.; Atlanta, Ga.; Missoula, Mont.; Albuquerque, N. Mex.; Portland, Oreg.; Upper Darby, Pa.; Ogden, Utah. Local offices are in many cities and towns. Most State Foresters are located at the State capitals.

Printed Material: The following publications are available from the Forest Service, U. S. Department of Agriculture, Washington 25, D. C.: *In Your Service* (AIB-136); *Protecting the Forests From Fire* (AIB-130); *Water and Our Forests* (AIB-71); *Starting a Community Forest* (leaflet); *Managing the Small Forest* (Farmers Bulletin 1989).

SOIL CONSERVATION SERVICE.—The Department of Agriculture's action agency for soil and water conservation (SCS) works in cooperation with local soil conservation districts and community watershed groups. On request, SCS technicians make soil surveys, prepare plans for farm and ranch conservation, watershed protection, and flood prevention in upstream watersheds; give onsite assistance in the planning and application of needed conservation practices on cropland, grazing land, woodland, and wildlife lands.

Contact: SCS field representatives usually have headquarters in the county seat and are listed in the local telephone directory; they also can be located by contacting the County Agent or the office of local soil conservation district.

Printed Material: The following publications are available from the Soil Conservation Service, U. S. Department of Agriculture, Washington 25, D. C.: *What the Soil Conservation Service Does* (SCS-CI-3); *Questions and Answers About the Great Plains Conservation Program* (PA-346); *Facts About the Watershed Protection and Flood Prevention Act* PA-298).

Financial Assistance, Procurement, and Construction

AGRICULTURAL CONSERVATION PROGRAM SERVICE.—Shares with individual farmers and ranchers the cost of needed practices approved for protecting and improving the soil, reducing wind and water erosion, and conserving agricultural water on farm and ranch land. Farmers select from their local ACP those practices which they need to advance their own conservation programs under the conditions prevailing on their own farms. Generally, farmers and the Government share about equally in the total conservation investment.

Contact: Administrator, Agricultural Conservation Program Service, Washington 25, D. C. Farmers should request ACP cost-sharing assistance through the County Agricultural Stabilization and Conservation Committee which usually maintains an office in the local county seat.

Printed Material: *ACP National Bulletin 1958; Facts About the Agricultural Conservation Program* (PA 272); *Answers to Questions about the ACP* (PA 293); *Better Living Through Conservation Farming* (PA 288 Revised); Agricultural Conservation Program Service, Washington 25, D. C. Free.

AGRICULTURAL MARKETING SERVICE, FOOD DISTRIBUTION DIVISION.—Food commodities acquired under surplus or price-support programs are donated to nonprofit school lunch programs, charitable institutions and persons certified as needy by public welfare agencies. Distribution is made through State agencies.

Contact: Agricultural Marketing Service, Food Distribution Division, South Agricultural Building, Washington 25, D. C. Local groups will need to contact the State agency having local responsibility. A list of these agencies is available from the Food Distribution Division.

Printed Material: *The Special Milk Program* (PA 248); *National School Lunch Program* (PA 19); *The Direct Distribution Program* (PA 343); Agricultural Marketing Service, Washington 25, D. C. Free.

COMMODITY STABILIZATION SERVICE.—Supports prices of farm products through loans, purchases, and incentive payments, and also makes loans to producers to finance on-farm storage facilities for grain and other storable crops. These support and storage loan activities are financed and controlled by the Commodity Credit Corporation.

CSS makes payments to producers of sugar beets and sugarcane provided producers comply with certain labor, wage, price, and marketing requirements.

CSS administers the soil bank program, under which it makes payments to farmers for (1) reducing allotment acres of basic crops—the "acreage reserve," and (2) putting general cropland to conservation use—the "conservation reserve."

Contact: Applications by farm operator for CSS program assistance should be made to the County ASC (Agricultural Stabilization and Conservation) Committee, which is usually located in the county seat.

Printed Material: *Price Programs—Agriculture Information Handbook 135,* Superintendent of Documents, Washington 25, D. C. 35 cents. *What We Are Doing About Agricultural Surpluses,* (charts and tables). Commodity Stabilization Service, U. S. Department of Agriculture, Washington 25, D. C. Free.

FARMERS HOME ADMINISTRATION.—Makes loans for the operation, purchase, improvement, and enlargement of family-type farms, and for refinancing existing debts. Credit extended includes loans for soil and water conservation, and for building or repairing farm houses and other essential farm buildings. In designated areas, the Administration makes loans to meet emergency needs. It makes loans to help local organizations pay their share of the cost of installing watershed protection and flood prevention projects. Also, it makes loans to owners of farms smaller than family-type to develop their farms; and to farmers who have part-time employment off the farm to operate their farms. In either instance, applicants must be established farmers who carry on substantial farming operations, spend most of their time farming, and have dependable income from other sources. With the loans, borrowers receive, to the necessary extent, help of the agency's county supervisors in preparing farm and home operating plans, keeping farm records, and obtaining advice on farm problems.

Contact: Applications are made at local Farmers Home Administration offices usually located in the county seat towns.

Printed Material: *Operating Loans for Better Farming—Better Living* (PA 182); *Farm Ownership Loans* (PA 62); *Loans for Soil and Water Conservation* (PA 253); *Emergency Loans* (PA 273); *Insured Farm Loans—Information for Lenders* (PA-254); *Farm Housing Loans* (PA 183); *Thumbnail Sketch* (Brief Program Descriptions) (PA 255). Farmers Home Administration, Washington 25, D. C.

RURAL ELECTRIFICATION ADMINISTRATION.—Loans are made for the furnishing of electric service to persons in unserved rural areas and for the extension and improvement of telephone service in rural areas.

Contact: Applications must be made to: Rural Electrification Administration, U. S. Department of Agriculture, Washington 25, D. C. Interested parties should secure copies of the recommended printed references which specify in detail the procedures to be used in making application.

Printed Material: *Preloan Procedure for Rural Telephone Cooperatives* (REA Bulletin 320-1); *Procedure for Electric Distribution Borrowers in Preparing Loan Applications* (REA Bulletin 20-2). Rural Electrification Administration, Washington 25, D. C. Free.

DEPARTMENT OF THE AIR FORCE

Financial Assistance, Procurement, and Construction

Air Force procurement of supplies is made in accordance with over-all policies of the Department of Defense. Suppliers should apply to the nearest Air Force Procurement District to have their names placed on bidders' lists. Air Force construction projects are normally handled by the Army Corps of Engineers through their local offices. Decisions on the location and activation of base facilities are normally made in the Office of the Secretary of the Air Force, Washington 25, D. C.

Contact: Air Force Procurement Districts of the Department of the Air Force: Atlanta, Boston, Chicago, Cleveland, Dallas, Detroit, Indianapolis, Los Angeles, Milwaukee, Newark, New York, Oakland, Philadelphia, Rochester, San Diego, St. Louis, Tucson, Wright-Patterson AFB.

Printed Material: See under Department of Defense.

DEPARTMENT OF THE ARMY

See special procurement policies under Department of Defense. The Corps of Engineers is responsible for Army construction projects (see below). Decisions on the location and activation of base facilities are normally made in the Office of the Secretary of the Army, Washington 25, D. C.

Contact: Department of the Army Procurement Information Center, Old Post Office Building, 12th and Pennsylvania Avenue, NW., Washington 25, D. C. See also the list of installations and purchasing locations in *How To Sell to the Department of Defense* and *Purchased Items and Purchasing Locations of the Department of Defense.*

Printed Material: See under Department of Defense.

CORPS OF ENGINEERS.—The Civil Works Program of the Chief of Engineers includes the construction and maintenance of navigation and flood control projects, financed chiefly from regular appropriations of the Congress. Authorizing legislation for each project specifies conditions which must be met by each community in which work is done. These may vary from none to provision of lands, assumption of damage responsibility, maintenance and/or further cash contributions.

The Corps is also responsible for Army and Air Force construction.

Contact: Brigadier General J. L. Person, Assistant, Chief of Engineers for Civil Works, Room 2340 Bldg. T-7, Gravelly Point, Virginia, should be contacted for general information. However, the Corps also maintains District and Division Engineer offices in cities throughout the country. Contracts for Army and Air Force construction are awarded through District Engineers and information on local programs can be secured from such offices.

Printed Material: *Installations and Activities List.* This list gives the names and addresses of all Division and District Engineers. It is issued periodically and can be obtained by writing to: Office of the Chief of Engineers, Department of the Army, Washington 25, D. C.; *Water Resources Development Pamphlets:* A pamphlet in this series is issued periodically for each State. The pamphlets provide information on all civil works projects and activities of the Corps of Engineers. They may be obtained from the Division Engineers at the addresses shown on the *Installations and Activities List* referred to above.

ATOMIC ENERGY COMMISSION

Financial Assistance, Procurement, and Construction

The construction and operation of an industrial complex of atomic energy plants, laboratories, and other facilities are responsibilities of AEC. The contracting for these activities has been decentralized. Managers of the 10 AEC Operations Offices in the field are authorized to enter into contracts. Purchases of material, equipment and supplies are handled—for the most part as subcontracts—by the cost-type contractors that build and operate AEC plants, laboratories and other facilities, and—to a lesser extent as prime contractors—by the AEC Operations Offices. Most business opportunities occur at the subcontract level. Production-run items are limited in number.

Contact: For information on material, equipment and supply contracts, contact the nearest AEC Operations Office or write to the Procurement and Contracts Branch, Division of Construction and Supply, Atomic Energy Commission, Washington

25, D. C. AEC Operations Offices: Oakland, Calif.; Grand Junction, Colo.; Idaho Falls, Idaho; Lemont, Ill.; Albuquerque, N. Mex.; New York, N. Y.; Schenectady, N. Y.; Aiken, S.C.; Oak Ridge, Tenn.; Richland, Wash.

Printed Material: *Selling to AEC*, which includes a directory of AEC Operations and Cost-type Contractor Purchasing Offices and a list of products purchased, 1958, 25 cents; *A Guide for Contracting of Construction and Related Architect-Engineering Services*, 1955, 15 cents. Superintendent of Documents, Washington 25, D. C.

DEPARTMENT OF COMMERCE

Technical Assistance and Consultation

OFFICE OF AREA DEVELOPMENT.—Maintains close liaison with State planning and development agencies, and serves as a focal point in the Federal Government for Congressional and community delegations seeking assistance in the solutions of various local area development problems. Assists communities in initiating and carrying out industrial and area development programs involving technical guidance in securing new industry, and in expanding existing industry through product improvement and new product development.

OAD provides various technical services to States and local communities. Issues bulletins, development aids, reports, analyses, and other publications on area development problems. Assists States and local organizations in their efforts to create new industrial diversification and promotion opportunities, including the acquisition and preparation of land for industrial use, organizing industrial districts and development groups, developing new products, locating new markets, cataloging available community resources, and locating industrial prospects.

Several activities of the Office are designed to help manufacturers seeking sites for new branch plants. Some of the specific areas of technical assistance on plant location matters, include: Guidance to sources of Federal data and information useful in plant location work; guidance on the security factor of plant location according to the requirements of the National Industrial Dispersion Program; assistance in planning site-selection surveys; issuance of reference materials on specific site-selection factors; and maintenance of a central library of plant location data by regions, States, and communities, compiled in cooperation with State, local, and private development agencies.

Contact: Local field offices of the Department of Commerce, or write: Director, Office of Area Development, U. S. Department of Commerce, Washington 25, D. C.

Printed Material: The following publications are available at local field offices of the Department of Commerce and/or Superintendent of Documents, Washington 25, D. C.: *Area Development Bulletin* (bimonthly), 50 cents per year; *Checklist for Community and Area Development;* 10 cents *Developing and Selling New Products*, 40 cents; *How To Locate Industrial Prospects for Your Community*, 10 cents; *Organized Industrial Districts—A Tool for Community Development*, 65 cents; *What Will New Industry Mean to My Town?* 15 cents; *Your Community Can Profit From the Tourist Business*, 15 cents; *Area Trend Series; Industry Trend Series*, 15 reports covering more than 100 growth industries and their products, varying in price from 5 to 15 cents; *A listing of Office of Area Development Publications*, free.

BUSINESS AND DEFENSE SERVICES ADMINISTRATION.—Provides the point of contact in the Federal Government through which manufacturers, wholesalers, retailers and service-trade firms can secure current and authoritative economic data indicating trends, current performance and estimates for the future, as reliable information for the consideration of businessmen in making their managerial decisions.

Studies and research of industries and products are conducted through the following 24 Industry Divisions: Agricultural, Construction, and Mining Equipment; Aluminum and Magnesium; Automotive and Transportation; Building Materials; Business Machines and Office Equipment; Chemical and Rubber; Communications Industries; Consumer Durable Goods; Containers and Packaging; Copper; Electrical Equipment; Electronics; Food Industries; Forest Products; General Industrial Equipment and Components; Iron and Steel; Leather, Shoes and Allied Products; Metalworking Equipment; Miscellaneous Metals and Minerals; Power Equipment; Printing and Publishing; Scientific, Motion Picture, and Photographic Products; Textiles and Clothing; Water and Sewerage Industries and Utilities.

Through the industry divisions, the BDSA provides foreign market data, and special assistance for manufacturing plants in securing or expediting delivery of materials for military orders and devices to divert and expedite movements of material to assist disaster areas. Three program offices provide additional assistance.

.. The Office of Technical Services collects, reproduces, and sells to the public reports of Government-financed research and development with industrial significance, particularly reports of engineering development of new products, materials, or production processes. Reports come principally from the Army, Navy, Air Force, and Atomic Energy Commission, and are in the fields of metals, plastics, electronics, fuels, lubricants, ceramics, aviation, and many others. From 300 to 600 new reports are collected each month and are listed in the OTS monthly publication, *U. S. Government Research Reports.* Several reports particularly of interest to small businesses are described each month in *Technical Reports Newsletter.*

The Office also publishes abstracts of Government-owned patents which are now free for use by industry on a non-exclusive, royalty-free basis. Information on patent abstract publications can be obtained from OTS. The administrative staff of the National Inventors Council is also a part of OTS. The NIC publishes lists of technical problems affecting national defense which the Department of Defense would like to have solved by the Nation's civilian inventors. Each list contains requirements for new products such as adhesives, coatings, and electronic devices which may give a company's research staff something new to work on.

The Office of Distribution provides a focal point for the retail, wholesale, and service trades and all others engaged in domestic distribution of goods and services. It collects, analyzes, and disseminates information on domestic market characteristics and potentials by industry and geographical areas, and advises on the impact of current or proposed marketing laws and regulations on the effective operation of such distribution activities.

The Office of Construction Statistics develops and conducts construction statistics programs concerning such data as construction volume, costs, materials production, and materials use; conducts economic and statistical research, and develops analytical and interpretive data on trends and developments in the construction industry.

Contact: Local field offices of the Department of Commerce, or address the Office of the Administrator, Business and Defense Services Administration, U. S. Department of Commerce, Washington 25, D. C.

Printed Material: Contact the field offices to select appropriate publications from a large assortment of bulletins, booklets, reports, etc. Of special note are the *Industry Reports* (on copper; rubber; pulp, paper and board; packaging and containers; chemicals; construction materials); ***The Distribution***

Data Guide, which lists with brief annotation the latest reports, books, periodicals, speeches, and articles in the field of marketing; and the *Synopsis of U. S. Government Proposed Procurement, Sales and Contract Awards*, which is a daily listing of invitations to bid, and contracts awarded by Federal agencies, available at $7.00 per year from the Superintendent of Documents, Washington 25, D. C. The following publications are available at local field offices of the U. S. Department of Commerce and/or the Superintendent of Documents: *U. S. Government Research Reports* (monthly), $6.00 per year; *Technical Reports Newsletter* (monthly), $1.00 per year; *Inventions Wanted by the Armed Forces* (available free from the National Inventors Council, U. S. Department of Commerce).

BUREAU OF THE CENSUS.—Provides consistent and comparable data in detail for all kinds of geographic areas, covering a wide variety of subjects. Periodic censuses taken at 5- or 10-year intervals yield a continuing series of basic figures for such local areas as cities, counties, and urbanized areas and standard metropolitan areas.

The population census, conducted every 10 years and next to be taken in 1960, yields data on age, sex, race, marital and work status, occupation, income, education, and migration. The housing census, taken decennially with the population census, offers information on occupancy, tenure, value or rent, heating fuel, and condition and type of structure. Censuses of agriculture, business, manufactures, and mineral industries were last taken for 1954. Their results, including detailed geographic area figures, are now available. The agricultural census, conducted quinquennially and scheduled next to be taken for 1959, provides data on farms and farm operators, farm income, acreage, and production and value of crops. Irrigation and drainage enterprises will be covered in the 1959 enumeration. The business census, next to be taken for 1958, furnishes figures for the retail, wholesale, and service trades on kinds of business, total sales, employment, and payrolls. The censuses of manufactures and mineral industries, next to be taken for 1958, provide data for the various industries on employment, payrolls, materials consumed, shipments, inventories, capital expenditures, and value added by manufacture or in mining. The census of governments, for 1957, yields detailed data on the amount and kind of taxes, public expenditures and debt, governmental assets, employment and payroll, and the value of property subject to taxes. The 1957 census provides, for the first time, figures on ratios of assessed values of real property subject to property taxes to actual market values of these properties. The 1956 national housing inventory provides the first measurements of the Nation's housing supply since the 1950 census, and includes separate reports for 9 large metropolitan areas.

Consultation service with census experts in the demographic and economic survey fields is available to local authorities concerned with community assistance or development. Special statistical services for communities are performed on a reimbursable basis for the collection and tabulation of data of public interest. These services have included the conduct of, or participation in, surveys of characteristics of families living in substandard housing units, housing rental and vacancy characteristics, morbidity surveys, and motor vehicle use, along with special population censuses. In cooperation with local authorities, the Bureau has established census tracts in many cities and their surrounding areas throughout the country and has also set up census county divisions in a number of States. Various kinds of data compiled for these standard subdivisions can be useful in area studies and development.

Contact: Local field offices of the U. S. Department of Commerce, or write: A. Ross Eckler, Deputy Director, Bureau of the Census, Washington 25, D. C.

Printed Material: *Census Statistics for Local Use*, a description of applications and uses of census data at the local area level, and *Applying Census Statistics to Marketing*, available from Bureau of the Census; *Catalog of U. S. Census Publications* (quarterly) and its *Monthly Supplement* listing all publications of the Bureau of the Census, available from the Superintendent of Documents, Washington 25, D. C., at $1.25 per year; *County and City Data Book, 1956*, $4.50; *County Business Patterns, 1953* (prices vary for individual parts for 9 geographic divisions and the U.S. summary; the 1956 edition of this series will be published in the spring of 1958), available from the Superintendent of Documents, Washington 25, D. C.

CIVIL AERONAUTICS ADMINISTRATION.—Assists local airport sponsors in airport planning and site selection; consults and advises on design and construction of airports; gives advisory service on airport planning, engineering and zoning problems.

Contact: District Airport Engineer of the Civil Aeronautics Administration, U. S. Department of Commerce, serving the area with which the sponsor is concerned.

Printed Material: *Airport Design*, 45 cents; *Airport Planning*, 30 cents; *Airport Terminal Buildings*, 25 cents; *Standard Specifications for Construction of Airports*, $3.50. Available from local field offices of the U. S. Department of Commerce, or Superintendent of Documents, Washington 25, D. C.

COAST AND GEODETIC SURVEY.—Establishes the primary network of horizontal and vertical control for surveying, mapping, and engineering purposes; publishes nautical and aeronatical charts for the safe navigation of marine and air commerce. Related byproducts of these basic functions aid urban and suburban development through basic geodetic control, especially in connection with the Federal Highway Act of 1956. Assistance is also afforded numerous local control projects by providing added control points and the re-establishment of city monuments that tie the city surveys to the Federal networks. Such projects are undertaken on a reimbursable basis or under cooperative agreement with the cities involved.

The Coast and Geodetic Survey contributes to civil defense programs of critical community centers by providing necessary control for locating intricate military devices. Significant contrbutions are now being made through use of unique aerial photography resulting from the nine-lens camera, designed and built by Survey engineers. Aerial photographs now available for many areas provide basic information to engineers, county surveyors, and others interested in the development of urban and coastal areas. These large rectified composite photographs are effective presentations of terrain and culture, especially beneficial in promoting the development of waterways and harbor facilities. Planimetric maps, produced from this aerial photography, serve as an accurate base map coordinated with the geodetic datum at a scale large enough to show the details of development on which other survey and map data can be plotted without risk of accumulated error. Gravity base net and area surveys are employed in geophysical exploration for oil and mineral deposits, for various geodetic studies, and in determining the effect of the earth's external gravity field on newly developed navigation and guidance systems.

Detailed tide and current data also available of coastal areas are essential in solving problems of beach erosion and sewage disposal.

Seismological studies and reports are made available to urban planners for use in the design of earthquake-resistant structures and the formulation of adequate building codes in earthquake-prone areas. Magnetic data necessary for determining the variation of the compass are available for all urban areas and are furnished free of charge to professional engineers or interested individuals.

Technical advice and services are rendered local communities, groups, and individuals on use of CGS products by the Washington office and 13 district offices.

Contact: Director, Coast and Geodetic Survey, Washington 25, D. C., or district offices in Baltimore, Boston, Fort Worth, Honolulu, Kansas City, Los Angeles, New Orleans, New York, Norfolk, Portland, San Francisco, Seattle, Tampa.

Printed Material: Nautical and aeronautical charts; coast pilots, tide and current tables, available at the Washington office, district offices and sales agents.

Planimetric maps and aerial photographs; magnetic and seismological data; gravity data; and geodetic data in the form of descriptions of the lines of leveling, triangulation stations, geographic positions, and state plane coordinate tables; available from the Washington office.

Technical manuals describing survey procedures and practices available from the Superintendent of Documents.

Nautical and aeronautical chart catalogs, indexes to geodetic data, and a list of publications available upon request from the Coast and Geodetic Survey, U. S. Department of Commerce, Washington 25, D. C.

BUREAU OF FOREIGN COMMERCE.—Provides informational and advisory services to businessmen in planning and carrying out international trade, travel, and investment. Assists in developing export markets and in locating foreign sources of supply. Through publications, it keeps the business community informed of specific opportunities to buy or sell abroad, economic and commercial developments in foreign countries, and actions of the U. S. and foreign governments which affect international business.

The Bureau provides trade lists which give market data for products in individual countries along with names and addresses of the principal business firms concerned, and World Trade Directory reports which provide pertinent business data on individual business firms abroad. Publications are also available for those just entering the foreign trade field. Through personal calls and letters to the Bureau in Washington and the field offices of the Department of Commerce, consulting service on international trade, travel, and investment problems, is provided.

Contact: Local field offices of the U. S. Department of Commerce, or Director, Bureau of Foreign Commerce, U. S. Department of Commerce, Washington 25, D. C.

Printed Material: *Foreign Commerce Weekly*, $4.50 per year; *World Trade Information Service, Part 1—Economic Reports*, $6.00 per year, *Part 2—Operation Reports*, $6.00 per year, *Part 3—Statistical Reports*, $6.00 per year; *Guides for New-*

comers to World Trade, 15 cents; *Channels for Trading Abroad*, 25 cents; *Investment Handbooks* for 17 countries, various prices. Available from the U. S. Department of Commerce field offices, or Superintendent of Documents, Washington 25, D. C.

Financial Assistance, Procurement, and Construction

CIVIL AERONAUTICS ADMINISTRATION.—Makes grants of funds generally on a 50-50 matching basis for public airport development, construction and improvement. Development must be included in National Airport Plan and in accordance with standards established by the Civil Aeronautics Administrator. Airport must be maintained, operated and available for public use in accordance with the requirements of the Federal Airport Act.

Contact: District Airport Engineer of the Civil Aeronautics Administration, U. S. Department of Commerce, serving the area with which the sponsor is concerned.

Printed Material: *The Federal-Aid Airport Program, Policies and Procedures, 1955*, Civil Aeronautics Administration, U. S. Department of Commerce, Washington 25, D. C. 50 cents.

BUREAU OF PUBLIC ROADS.—Administers, in cooperation with the State highway departments, the Federal-Aid Highway Program including projects in the Interstate System, for which Federal funds are apportioned to the States by formula and must be matched with State funds. The State highway departments have the initiative in the selection of projects for construction under this program, award the contracts, and exercise direct supervision over the engineering and construction. The Bureau also has direct supervision over a considerable amount of highway engineering and construction work under other Federal highway programs administered by the Bureau in cooperation with or in behalf of other Federal agencies. This latter work is mostly within or adjacent to national forests, parks and parkways.

Contact: Information on projects under the Federal Aid Highway Program should be obtained from the appropriate State highway department. Information on highway projects under direct Bureau of Public Roads supervision should be obtained from the regional offices of the Bureau in San Francisco, Portland, and Denver, for the eleven western States, and from the regional office in Arlington, Virginia, for work in the remaining States.

Printed Material: *Highway Statistics 1955*, Bureau of Public Roads; Superintendent of Documents, Washington 25, D. C. $1.00.

DEPARTMENT OF DEFENSE

Financial Assistance, Procurement, and Construction

The Department of Defense has general supervision of the procurement and expenditures programs of the armed forces under appropriate and specific legislation covering the Departments of the Army, Navy and Air Force. Defense Manpower Policy No. 4 (Revised) governs purchasing policy. Consideration is given to the placement of contracts in labor-surplus areas provided no price differential is paid. Portions of procurements may be set aside for negotiation with firms in labor-surplus areas. Bidders in labor-surplus areas will receive preference in case of equal low bids.

Contact: See under individual Defense Department.

FEDERAL CIVIL DEFENSE ADMINISTRATION

Financial Assistance, Procurement, and Construction

Assistance is given to States and local communities for civil defense purposes through contributions authorized by Congress. FCDA supplements the contributions program by stockpiling, at Federal expense, medical supplies and equipment, and radiological and chemical warfare defense equipment for civil defense use. Purchases of this material are made through the Military Medical Supply Agency and General Services Administration. FCDA is also responsible for coordinating Federal assistance in natural disasters. Funds are allocated by the President upon determination that a major disaster does in fact exist.

Contact: Information regarding contributions is available from all State civil defense offices; FCDA regional offices; FCDA National Headquarters, Battle Creek, Michigan, and the FCDA Washington Office. FCDA regional offices are: Battle Creek, Mich.; Harvard, Mass.; Olney, Md.; Thomasville, Ga.; Denton, Texas; Denver, Colo.; Santa Rosa, Calif.

Printed Material: *Federal Civil Defense Administration Contributions Manual* (M-25-1). (Distributed to State and local Civil Defense Directors.)

GENERAL SERVICES ADMINISTRATION

Financial Assistance, Procurement, and Construction

DEFENSE MATERIALS SERVICE.—Responsible for procurement of supplies, equipment and services in connection with special purchase programs assigned to General Services Administration. Includes buying and contracting activity necessary to development, expansion, acquisition and storage of strategic and critical metals, minerals, and other materials required for national stockpile and other defense purposes.

Contact: Business service centers are maintained by GSA for convenience of businessmen seeking information and guidance on how to participate in Government contracting activities, including those of Defense Materials Service, Federal Supply Service, and Public Buildings Service, at the following locations: Atlanta; Boston; Chicago; Dallas; Denver; Ft. Worth; Kansas City, Mo.; Los Angeles; Portland, Oregon; New York; San Francisco; Seattle; Washington, D. C.

Printed Material: *Annual Report of the Administrator of General Services*, General Services Administration, Washington 25, D. C.; *Daily Synopsis of U. S. Government Proposed Procurement Sales and Awards*, U. S. Department of Commerce, Room 1300, 433 West Van Buren Street, Chicago 7, Ill. $7.00 per year.

FEDERAL SUPPLY SERVICE.—Regulates Federal supply activities and procures personal property and nonpersonal services for Federal agencies. Includes buying authorized by International Cooperation Administration in connection with foreign assistance programs. Most procurement is accomplished through formal advertising by distribution of written invitations to bid to potential suppliers whose names appear on official bidders' mailing lists. Procurement programs of GSA include purchase of common-use items for use by Federal agencies and placing of contracts under which agencies purchase items directly from suppliers. When authorized by executive direction as necessary to national interest, small business firms and suppliers located in disaster and labor-surplus areas are given preferences.

Contact: See under Defense Materials Service.

Printed Materials: See under Defense Materials Service.

PUBLIC BUILDINGS SERVICE.—Maintains, remodels, repairs, improves, and constructs Government buildings, including Government-owned post offices, office buildings, hospitals, courthouses and meets space requirements with leased property. Included are the Lease-Purchase contracts for public buildings, by which the Government invites private capital to build needed space, then pays for it in form of rent in not less than 10, nor more than 25 years. PBS contracts are placed through advertised competitive bidding, and invitations to bid are published in local newspapers where work is to be performed. Disposes of surplus Government real property.

Contact: See under Defense Materials Service.

Printed Materials: See under Defense Materials Service.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Technical Assistance and Consultation

OFFICE OF VOCATIONAL REHABILITATION.—Provides consultation to communities on establishment of community programs, rehabilitation centers, and sheltered workshops designed to help disabled persons become employable.

Contact: Office of Vocational Rehabilitation, Washington 25, D. C.

Printed Material: *The Planning of Rehabilitation Centers*, $1.25; *Workshops for the Disabled*, 60¢. Both available from Superintendent of Documents, Washington 25, D. C.

Financial Assistance, Procurement, and Construction

DIVISION OF HOSPITAL AND MEDICAL FACILITIES, U. S. PUBLIC HEALTH SERVICE.—The Hospital and Medical Facilities Survey and Construction Program provides technical assistance and funds to pay a portion of the cost of building voluntary or nonprofit health facilities such as hospitals, public health centers, nursing homes, etc. Funds are apportioned to and the program operated by the States.

Contact: Chief, Division of Hospital and Medical Facilities, U. S. Public Health Service, Department of Health, Education, and Welfare, Washington 25, D. C.

Printed Material: *Meeting Community Health Needs* (leaflet), Division of Hospital and Medical Facilities, U. S. Public Health Service, Department of Health, Education, and Welfare, Washington 25, D. C. Various other useful and informative publications are available relating to the programming, design and construction of hospitals and other community medical facilities.

DIVISION OF SANITARY ENGINEERING SERVICES, U. S. PUBLIC HEALTH SERVICE.—The Federal Water Pollution Control Act provides funds in the form of grants to pay a portion of the construction cost of sewage treatment works. Funds are allocated on the basis of the relative population and per-capita income of the States. State water pollution control agencies have specific responsibilities in administration of the program. Grant payments are made to local jurisdictions.

Contact: Chief, Water Supply and Water Pollution Control Program, U. S. Public Health Service, Department of Health, Education, and Welfare, Washington 25, D. C.

Printed Material: Various informational materials are available regarding the construction grants program.

DIVISION OF SCHOOL ASSISTANCE IN FEDERALLY AFFECTED AREAS.—The School Construction Program provides assistance to public school districts enrolling pupils whose parents live, work or are otherwise connected with Federal activities or on Federal property. Payments are made to assist on projects submitted to and approved by the administering Federal agency. Local funds may or may not be necessary for construction of the project depending on the particular situation.

Contact: Assistant Commissioner for Federally Affected Areas, Office of Education, Department of Health, Education, and Welfare, Washington 25, D. C.

Printed Material: *School Assistance in Federally Affected Areas* SAFA Bulletin No. 39, U. S. Office of Education, Washington 25, D. C., or 7th Annual Report of the Commissioner of Education on Administration of Public Laws 874 and 815, Superintendent of Documents, Washington 25, D. C.

OFFICE OF VOCATIONAL REHABILITATION.—Provides grants-in-aid to State vocational rehabilitation agencies on a matching basis for support of basic rehabilitation services to prepare disabled persons for, and place them in, suitable employment. The Office also makes funds available to State agencies to extend or improve rehabilitation services. It grants funds to public and private nonprofit organizations to pay part of the cost of research and demonstration projects which hold promise of making a substantial contribution to the solution of vocational rehabilitation problems common to all or several States. In addition, the OVR grants money to educational institutions for teaching purposes, and, through them, to qualified trainees to help overcome the acute shortage of professional workers in vocational rehabilitation.

Contact: Office of Vocational Rehabilitation, Department of Health, Education, and Welfare, Washington 25, D. C. State Directors or Supervisors of Vocational Rehabilitation (usually at the State Capital) should also be contacted, particularly in respect to community projects for extension and improvement of services to handicapped people.

Printed Material: *New Hope for the Disabled,* Superintendent of Documents, Washington 25, D. C. 15 cents.

HOUSING AND HOME FINANCE AGENCY

Financial Assistance, Procurement, and Construction

COMMUNITY FACILITIES ADMINISTRATION.—The Community Facilities Administration makes interest-free advances to local public agencies for preparing preliminary and final plans for public non-Federal works. Loans are made to local public agencies for needed public facilities. Loans are extended to institutions of higher learning and their corporations for student and faculty housing, and affiliated educational services; also to public or nonprofit hospitals for housing for nurses in training and internes.

Contact: HHFA regional offices in New York, Philadelphia, Atlanta, Chicago, Fort Worth, San Francisco.

Printed Material: *Programs of the Community Facilities Administration;* Superintendent of Documents, Washington 25, D. C. 15 cents.

FEDERAL HOUSING ADMINISTRATION.—Through home and rental housing mortgage insurance programs, the FHA facilitates the financing of construction of new buildings, and the rehabilitation of existing buildings in certified urban-renewal areas. It also insures special long-term mortgages on low-cost relocation housing for families being displaced by urban-renewal programs and other forms of governmental action.

Contact: Field offices in each State, or the Federal Housing Administration, Washington 25, D. C.

Printed Material: *This is the FHA*, (leaflet); 221 *Relocation Housing; Replacing Blight with Good Homes; New FHA Terms—Rates for Home Improvement Loans; FHA Facts for Home Buyers.* Superintendent of Documents, Washington 25, D. C.

FEDERAL NATIONAL MORTGAGE ASSOCIATION.—FNMA provides a secondary market for FHA-insured and VA-guaranteed mortgages; finances special assistance programs through the purchase of mortgages covering housing for disaster victims, elderly persons, urban-renewal and rehabilitation areas, for cooperative groups, and the armed services and civilian employees connected with a military research or development program. In addition to these, a special program is provided for Alaska and another for Guam.

Contact: Agency offices in Atlanta, Chicago, Dallas, Los Angeles, Philadelphia.

Printed Material: *Information Circular Regarding the Activities of the Association; Secondary Market Operations.* Pamphlets. Federal National Mortgage Association, Washington 25, D. C.

PUBLIC HOUSING ADMINISTRATION.—FHA extends financial assistance to localities for building low-rent public housing for low-income families unable to afford decent private housing.

Contact: Regional Offices of the PHA in New York, Washington, Chicago, Fort Worth, Atlanta, San Francisco, and Santurce, P. R.

Printed Material: *Current Work of the PHA*, Public Housing Administration, Washington 25, D. C. Free.

URBAN RENEWAL ADMINISTRATION.—URA provides a number of aids to communities for the elimination and prevention of slums and blighted areas, and for planning, including: Planning advances for preliminary surveys and plans for urban-renewal projects; capital grants to defray the bulk of the net cost of renewal projects, up to 2/3 or 3/4 under two separate formulas for Federal participation, the remainder being paid by the locality in either cash or donations of land and other services; grants for general planning in regional or metropolitan areas; general planning grants for communities with less than 25,000 population; grants, up to 2/3 of the cost, for selected urban-renewal "demonstration" projects; advice on dealing with various urban-renewal problems.

Contact: Urban Renewal Administration, Washington 25, D. C. HHFA regional offices in New York, Philadelphia, Atlanta, Chicago, Fort Worth, San Francisco. Communities with less than 25,000 population seeking planning assistance grants should apply to their official State planning agencies.

Printed Material: *Urban Renewal--What It Is; Workable Program—What It Is; How Localities Can Develop A Workable Program for Urban Renewal;* Superintendent of Documents, Washington 25, D. C. 15 cents. *A Guide to Urban Planning Assistance Grants; A Guide to Demonstration Grants;* Urban Renewal Administration, Washington 25, D. C. Free.

DEPARTMENT OF THE INTERIOR

Technical Assistance and Consultation

Technical advice and service is available to local communities, groups and individuals through the regular programs of the Bureaus and Offices of the Department. Functions of particular value in assisting local areas are the topographic surveys, geologic investigations, and surface and ground water resources investigations of the Geological Survey. The Bureau of Mines conducts fundamental and applied research on the mining, processing, and utilization of minerals. It develops new methods, techniques, and special equipment for ore benefication, and conducts pilot-plant operations to evaluate them. Land classification and land-use studies for irrigation, power development, conservation, and recreational purposes are conducted by the Bureau of Reclamation, Fish and Wildlife Service, and the National Park Service, in cooperation with State and local agencies.

Contact: Local offices of the Bureau of Mines, Bureau of Reclamation, Fish and Wildlife Service, National Park Service, Geological Survey, Map Information Office, and other Offices and Bureaus of the Department. For consultation on geologic problems, questions, maps, and minerals, contact the nearest Geological Survey Field Center, Denver, Col.; Rolla, Mo.; Washington, D. C.; Menlo Park, N. J. Information on water supply is available from the Water Resources Office of the Survey located in most State Capitals.

Printed Material: Maps, atlases, aerial photographs, monographs, bulletins, water-supply papers, professional papers, information circulars, reports of investigations, and other documents are published regularly. Publications of the Geological Survey, May 1953 and supplements to May, 1955, U. S. Geological Survey, Washington 25, D. C. Free. *List of Publications, Bureau of Mines,* (Annual supplement) U. S. Bureau of Mines, Washington 25, D. C. Free.

Financial Assistance, Procurement, and Construction

BUREAU OF COMMERCIAL FISHERIES.—Makes loans to owners and operators of fishing vessels and gear, for financing and refinancing of operations, repairs, maintenance, replacement, and equipment of fishing gear and vessels, and for research into the basic problems of the fisheries. Loans are direct Government loans and cannot be made if required assistance is available elsewhere on reasonable terms.

Contact: Bureau of Commercial Fisheries Office in Gloucester, Mass.; St. Petersburg Beach, Fla.; Ann Arbor, Mich.; Seattle, Wash.; and Juneau, Alaska.

DEFENSE MINERALS EXPLORATION ADMINISTRATION.—Financial assistance is given to private mining operators under contract who engage in exploration for certain strategic and critical minerals in the continental United States, its territories and possessions.

Contact: Information about the DMEA program and assistance in filing an application for a contract may be secured from the Washington Office of DMEA, Department of the Interior, Washington 25, D. C., or from the nearest regional office. Regional office addresses are: South 157 Howard Street, Spokane 4, Wash.; 1605 Evans Avenue, Reno, Nev.; 224 New Customhouse Building, Denver 2, Colo.; Room 303, Post Office Building, Joplin, Mo.; Room 13, Post Office Building, Knoxville 2, Tenn.

Printed Material: *The Defense Minerals Exploration Program;* DMEA Order 1, Amended; MF-103 (application form).

BUREAU OF RECLAMATION.—Charged with primary responsibility for the conservation and use of water resources of the 17 Western States for irrigation and other purposes. Conducts studies of potential projects in cooperation with local and State agencies and presents findings to the Secretary of the Interior for possible recommendation to Congress for authorization. Undertakes such projects as Congress may authorize and for which construction funds are appropriated. Has present construction program of approximately $170 million annually undertaken by contract. Also administers loan program for small irrigation projects which are designed and constructed by local sponsors.

Contact: Commissioner, Bureau of Reclamation, Washington 25, D. C.; Assistant Commissioner and Chief Engineer, Federal Center, Denver, Colo.; or Regional Director, Bureau of Reclamation, Boise, Idaho; Sacramento, Calif.; Boulder City, Nev.; Salt Lake City, Utah; Amarillo, Tex.; Billings, Mont.; or Denver, Colo.

Printed Material: *Reclamation and Loans Under the Small Projects Act*, from any Bureau of Reclamation Office; *Advance Construction Bulletin* and *Advance Equipment Bulletin*, containing details of upcoming bids for construction and equipment, issued monthly and available upon request from the Assistant Commissioner and Chief Engineer, Federal Center, Denver, Colo.

INTERNATIONAL COOPERATION ADMINISTRATION

Financial Assistance, Procurement, and Construction

ICA does very limited direct purchasing. ICA-financed procurement is accomplished by other U. S. Government agencies, particularly the General Services Administration, by foreign government agencies, and through regular commercial channels—that is, foreign importers purchase their requirements from suppliers of their choice, always subject to ICA regulations. The ICA Office of Small Business publishes information to assist American business to participate in ICA-financed procurement.

Contact: Office of Small Business, International Cooperation Administration, Washington 25, D. C.; U. S. Department of Commerce field offices; and Small Business Administration regional and branch offices.

Printed Material: *Mailing List Request* (ICA No. 4); *ICA Financed Procurement;* International Cooperation Administration, Washington 25, D. C.; and Small Business Administration and Department of Commerce field offices.

DEPARTMENT OF LABOR

Technical Assistance and Consultation

The Community Employment Program, which is carried out by affiliated State employment security agencies, is designed to stimulate concerted local community action to increase job opportunities. The Department cooperates with community groups in the planning and execution of economic development programs, and provides manpower information to help them attract suitable new industries or expand existing industry. Information about local manpower resources, including area training needs and workers' training potential, is very important to industries seeking new plant sites.

The Bureau of Employment Security regularly classifies local labor market areas according to labor availability. These classifications are used to determine eligibility for special assistance by the Federal Government (see Office of Defense Mobilization).

The Bureau of Apprenticeship and Training assists community groups by providing counseling services on the organization of and planning for on-the-job training programs, for apprenticable occupations and other occupations tailored to the needs of existing or prospective industry.

Contact: J. Dewey Coats, Community Employment Consultant, or Gladys F. Miller, Chief, Division of Labor Market and Manpower Studies, Bureau of Employment Security, Department of Labor, Washington 25, D. C.; W. C. Christensen, Director, Bureau of Apprenticeship and Training, Department of Labor, Washington 25, D. C.

Printed Material: "Employment Development—Better Utilization of Human Resources," *Employment Security Review*, November 1955; *The Role of the State Employment Service Local Office in the Community Employment Program; Area Labor Market Trends* (bimonthly). Bureau of Employment Security, Washington 25, D. C., free. *Apprentice Training; Planned Training Pays Dividends.* Bureau of Apprenticeship and Training, Washington 25, D. C., free.

DEPARTMENT OF THE NAVY

Financial Assistance, Procurement, and Construction

See special procurement policies under Department of Defense. Navy's program includes assistance to labor-surplus areas to make the best use of their available resources and to improve their economy and defense production potential through community action programs, exhibits of business opportunities, directories of firms in those areas, brochures of area production potential, and exhibits of new technology.

These activities are outlined in ONM Instruction 4803.3, December 13, 1955; ONM Instruction 4880.0, January 26, 1956; ONM Instruction 4803.4, July 6, 1956; INSMAT Instruction 4803.1, Houston, August 3, 1956, and INSMAT Instruction 4803.1, Dallas, August 3, 1956.

Detailed information on Navy's production-procurement assistance is available from field offices of the Inspectors of Naval Material. Contracts for construction projects and major projects for station maintenance and repair are awarded through the District Public Works Offices in the 17 Naval Districts. Decisions on the location and activation of the base facilities are normally made in the Office of the Secretary of the Navy, Washington 25, D. C.

Contact: Mr. Kenneth P. Borgen or Capt. N. W. Curtin, Office of Naval Material, Washington 25, D. C. may be contacted for further details on the program. Also see the list of purchasing locations in *How to Sell to the Department of Defense* and *Purchased Items and Purchasing Locations of the Department of Defense.*

Printed Material: *Selling to Navy Prime Contractors*, February 1956, NAVEXOS P-1030, Navy Department, Superintendent of Documents, Washington 25, D. C. 30 cents. *Production for the Navy* NAVEXOS P-1061, Office of Naval Material, Superintendent of Documents, Washington 25, D. C.

POST OFFICE DEPARTMENT

Financial Assistance, Procurement, and Construction

PROCUREMENT.—Post Office Department equipment and supply items for postal operations, and all items used in connection with the motor vehicle fleet, are handled by the Bureau of Facilities, Post Office Department, Washington 25, D. C. Certain items, in limited quantities, may be purchased by postmasters under local procurement authorities.

Contact: Assistant Postmaster General, Bureau of Facilities, Post Office Department, Washington 25, D. C.

Printed Material: Contact information address.

REAL ESTATE.—Needs for rented or leased post office space in existing or new buildings are publicly advertised in the localities where the space or building will be located. In addition there are lease-purchase contracts, which provide for the construction and occupancy of buildings for postal purposes on a long term (10 to 25 years) purchase contract with installments paid monthly as "rent."

Contact: POD regional offices in Atlanta, Boston, Chicago, Cincinnati, Dallas, Denver, Memphis, Minneapolis, New York, Philadelphia, Portland, Saint Louis, San Francisco, Wichita, and Washington, D. C.

Printed Material: Contact information address.

SMALL BUSINESS ADMINISTRATION

Technical Assistance and Consultation

Assistance is provided to individual small business concerns on Government procurement, management, and technical and financial matters.

When SBA is advised by the Bureau of Employment Security, Department of Labor, of smaller areas of labor surplus, or is officially requested to offer assistance to specific areas or communities, the usual procedure is to meet with groups of small business executives and community leaders. The problems are discussed, SBA programs of technical, procurement, new products, managerial and financial assistance are outlined, and individual consultations are arranged with small business concerns to fully explore the possibility of additional work load to absorb some of the available surplus productive labor.

Contact: Small Business Administration Regional Offices in Atlanta, Boston, Chicago, Cleveland, Dallas, Denver, Detroit, Kansas City, Los Angeles, Minneapolis, New York, Philadelphia, Richmond, San Francisco, and Seattle. Branch offices in other large cities.

Printed Material: *Small Business Administration, What It Is, What It Does*, and *ABC of Selling to U. S. Government*. Pamphlets. Small Business Administration, Washington 25, D. C., free. *New Product Introduction for Small Business Owners*, 30 cents; *Developing and Selling New Products*, 40 cents; Superintendent of Documents, Washington 25, D. C.

Financial Assistance, Procurement, and Construction

Makes loans to small firms otherwise not able to obtain financing on reasonable terms. Loans may be in participation with banks or other private institutions or, if a participation is not available, may be direct Government loans. Loans may also be made by the Agency to special local groups, such as development corporations; or SBA may cooperate with such groups in loans to small firms. SBA also makes loans to rehabilitate businesses and homes damaged or destroyed by storms, floods, and other disasters.

Contact: SBA regional offices; Atlanta, Boston, Chicago, Cleveland, Dallas, Denver, Detroit, Kansas City, Los Angeles, Minneapolis, New York, Philadelphia, Richmond, San Francisco, Seattle. Offices also maintained in other cities.

Printed Material: *Small Business Administration, What It Is, What It Does; SBA Business Loans*, and *Obtaining SBA Disaster Loans*. Pamphlets. Small Business Administration, Washington 25, D. C., free. Various other helpful publications available on currently important management, technical production, and marketing topics.

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U. S. DEPARTMENT OF COMMERCE
FIELD OFFICES

Albuquerque, N. Mex., 321 Post Office Bldg.
Atlanta 3, Ga., 604 Volunteer Bldg., 66 Luckie St., NW.
Boston 9, Mass., 1416 U. S. Post Office and Courthouse Bldg.
Buffalo 3, N. Y., 504 Federal Bldg., 117 Ellicott St.
Charleston 4, S. C., Area 2, Sergeant Jasper Bldg., West End Broad St.
Cheyenne, Wyo., 207 Majestic Bldg., 16th St. and Capitol Ave.
Chicago 6, Ill., Room 1302, 226 W. Jackson Blvd.
Cincinnati 2, Ohio, 442 U. S. Post Office and Courthouse.
Cleveland 1, Ohio, Federal Reserve Bank Bldg., E. 6th St. and Superior Ave.
Dallas 1, Tex., Room 3-104 Merchandise Mart.
Denver 2, Colo., 142 New Customhouse.
Detroit 26, Mich., 438 Federal Bldg.
Greensboro, N. C., 407 U. S. Post Office Bldg.
Houston 2, Tex., 624 First National Bank Bldg.
Jacksonville 1, Fla., 425 Federal Bldg.
Kansas City 6, Mo., Room 2011, 911 Walnut St.
Los Angeles 15, Calif., Room 450, 1031 S. Broadway.
Memphis 3, Tenn., 212 Falls Bldg.
Miami 32, Fla., 316 U. S. Post Office Bldg.
Minneapolis 1, Minn., 319 Metropolitan Bldg.
New Orleans 12, La., 333 St. Charles Ave.
New York 1, N. Y., Empire State Bldg.
Philadelphia 7, Pa., Jefferson Bldg., 1015 Chestnut St.
Phoenix, Ariz., 137 N. Second Ave.
Pittsburgh 22, Pa., 107 Sixth St.
Portland 4, Oreg., 217 Old U. S. Courthouse & P. O. Bldg.
Reno, Nev., 1479 Wells Ave.
Richmond 19, Va., 409 Post Office Bldg.
St. Louis 1, Mo., 910 New Federal Bldg.
Salt Lake City 1, Utah, 222 SW. Temple St.
San Francisco 11, Calif., Room 419 Customhouse.
Savannah, Ga., 235 U. S. Courthouse and P. O. Bldg.
Seattle 4, Wash., 809 Federal Office Bldg., 909 First Ave.

CABINET PAPER—PRIVILEGED

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CI - 57-50

October 15, 1957

The White House
Washington

THE CABINET

Policy on Budgeting for Mobilization and Civil Defense Preparedness Activities.

For information of Cabinet Members, attached is copy of paper prepared by the Director of the Office of Defense Mobilization.

The paper states the policy on the above subject agreed upon by the Bureau of the Budget, the Office of Defense Mobilization, and the Federal Civil Defense Administration with the concurrence of the Defense Mobilization Board and provides the background which led to the adoption of the policy.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

CABINET PAPER—PRIVILEGED CI - 57-50

Property of the White House—For Authorized Persons Only October 15, 1957

The White House

Washington

THE CABINET

Policy on Budgeting for Mobilization and Civil Defense Preparedness Activities.

Purpose:

The purpose of this paper is to inform Cabinet Members of the uniform policy agreed upon by the Bureau of the Budget, Office of Defense Mobilization, and the Federal Civil Defense Administration, with the concurrence of the Defense Mobilization Board and the Civil Defense Coordinating Board, for financing mobilization and civil defense functions of Federal agencies, including such functions "delegated or assigned" by ODM and FCDA.

Policy:

The policy, as contained in a letter of instructions issued by the Bureau of the Budget, copy attached, is summarized as follows:

a. Federal Departments and agencies will budget for their mobilization and civil defense functions as a part of their regular budget estimates, beginning with FY 1959. In so far as practicable, fund requirements will be included within the existing appropriations and activity structure. Each Department and agency will formulate and be prepared to justify its specific functions and dollar requirements both before the Bureau of the Budget and the Congressional committees.

b. ODM and FCDA will give general assistance to agencies, on request, in the development of budget estimates for mobilization and civil defense functions. FCDA and ODM will prepare and present to Congress a consolidated government-wide explanation of the civil defense and mobilization functions to be performed and the dollar requirements therefor on the basis of figures supplied by the agencies after receipt of budget allowances. They will provide supporting testimony as to the relationship between specific agency functions and the total nonmilitary defense program.

c. The Bureau of the Budget, in concert with the Office of Defense Mobilization and the Federal Civil Defense Administration, will advise Congressional committees of the policy and the basis for the presentation of the nonmilitary defense segment of the FY 1959 budget.

Background:

1. The above policy was promulgated to establish a clear understanding among Executive Branch agencies and with Congressional committees on responsibility for budgeting for mobilization and civil defense functions, and on the method of presentation of the budget requirements for nonmilitary defense programs.

2. There has been a prevalent misconception that agencies in carrying out mobilization and civil defense preparedness activities, pursuant to delegations from ODM and FCDA, are performing ODM and FCDA functions, and that ODM and FCDA should budget for such functions. In general, each agency's mobilization and civil defense functions are directly related to the subject matter of its normal jurisdiction. Delegations by ODM and FCDA have been made to agencies in accordance with the subject matter of each delegate agency's normal jurisdiction.

3. Congressional committees have, at times, requested ODM and FCDA to prepare and present budgets for total integrated programs, and, at other times, have stated that there is not sufficient difference between normal programs of delegate agencies and mobilization and civil defense activities to warrant requests by a central agency for such activities.

4. The policy followed by ODM has been that it is the responsibility of each agency to budget for its mobilization preparedness functions, including those identified in a delegation or assignment.

5. The policy followed by FCDA was the same as that followed by ODM until requested by the House Appropriations Committee in 1955 to submit a consolidated request for funds in support of all its delegated functions. Since then, FCDA has budgeted for such functions and allocated funds to delegate agencies.

6. The above-described divergent budgeting policies for mobilization and civil defense functions have brought about the following results:

a. Inadequate consideration of the need for funds in support of mobilization and civil defense functions;

b. Failure to appropriate funds for FY 1958 in support of civil defense functions delegated by FCDA, notwithstanding the fact that agencies did not separately budget for such functions; and,

c. Queries from Congress as to why ODM has not adopted a similar policy of budgeting for mobilization functions delegated by it.

7. The advantages to the cause of national security in adopting a uniform policy whereby each agency budgets for its mobilization and civil defense functions are many; among which are:

a. The agency performing the function is in the best position to estimate costs and defend its estimates; and,

b. If the agency's budget is reduced, defense and nondefense activities may share proportionately, whereas, if the central agency's request for funds in support of mobilization and civil defense functions are eliminated, nonmilitary defense activities are seriously jeopardized.

8. The new policy will provide Congress with information as to the total magnitude of nonmilitary defense activities and the relation of one agency's activities to the total nonmilitary defense program, which is believed to be the basis for Congressional committee requests that the central agency budget for delegated functions, notwithstanding the recognition that such functions, for the most part, are inseparable from the subject matter of normal functions of agencies.

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

September 17, 1957

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS CONCERNED

SUBJECT: Financing civil defense and mobilization functions

Recent meetings of the Civil Defense Coordinating Board and the Defense Mobilization Board have been devoted to a discussion of methods of financing the civil defense and mobilization functions of Federal agencies. The Federal Civil Defense Administration and the Office of Defense Mobilization are in agreement that such functions should be budgeted for as a part of the regular budget estimates of the agencies involved. It is believed that the method of presentation outlined below will go far to meet the objections which Congress has had to previous presentations. The Bureau of the Budget, in concert with Federal Civil Defense Administration and Office of Defense Mobilization, will undertake to advise congressional committees of the way in which these functions have been handled in the 1959 Budget and the reasons therefor. The purpose of this letter is to set forth instructions for the preparation and submission of the 1959 budget estimates for these nonmilitary defense functions.

Departments and agencies will include, as a part of their regular 1959 budget estimates, funds necessary to finance all their civil defense and mobilization functions. Unless separately identifiable and a significant part of the agency program, fund requirements should be included within existing appropriations and activities. The Federal Civil Defense Administration and the Office of Defense Mobilization will give general assistance to agencies, on request, in the development of budget estimates.

It is expected that each agency will formulate and be prepared to justify the specific functions and dollar requirements, both before the Bureau of the Budget and the congressional committees. Federal Civil Defense Administration and Office of Defense Mobilization will present a consolidated governmentwide explanation of the functions to be performed and the dollar requirements therefor on the basis of figures supplied by the agencies after receipt of budget allowances. The Federal Civil Defense Administration and the Office of Defense Mobilization will also be prepared to appear in support of such activities and testify as to the necessity of these specific agency functions as a part of the total nonmilitary defense program.

s/ Percival F. Brundage

PERCIVAL F. BRUNDAGE
Director

CABINET PAPER

For Information

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CA - 58-98

March 6, 1958

The White House

Washington

THE CABINET

Agenda

9:00 A.M., Friday, March 7, 1958

1.	Report on his Trip	(Oral)	The U.S. Representative to the United Nations
2.	Progress Report on Acceleration of Procurement and Construction	(Oral)	Hon. Thomas Pike
3.	Review of the Administration's Proposed Area Assistance Legislation	(Oral)	The Secretary of Commerce
4.	The Apparent Paradox of Falling Employment and Rising Consumer Prices	(Oral)	The Chairman, Council of Economic Advisers
5.	Interim Report of the Cabinet Committee on Oil Imports	(Oral)	The Secretary of Commerce
6.	The Program for the Disposal of Surplus Federal Real Property	CP - 58-25/1	The Director, Bureau of the Budget

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 12065, Section 1
By bcl NLE, Date 8/6/79

MINUTES OF CABINET MEETING

March 7, 1958
9:05 A. M. -- 10:30 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. Herter
(for Sec. Dulles, who came in near end of meeting)
Sec. Anderson
Deputy Sec. Quarles
(for Sec. McElroy)
Mr. Rogers
Mr. Summerfield
Under Sec. Chilson
(for Sec. Seaton)
Sec. Benson
Sec. Weeks
Under Sec. O'Connell
(for Sec. Mitchell)
Sec. Folsom

Director Brundage
Mr. Gordon Gray
Amb. Lodge
Dr. Saulnier

Asst. Sec. Commerce F.H. Mueller
Asst. Sec. Defense Floyd S. Bryant
Mr. Maurice Stans
Mr. David Brill
Mr. Franklin Floete, GSA
Mr. Leo Hoegh, FCDA

Gen. Persons
Mr. Rabb
Gen. Cutler
Mr. Pike
Mr. Morgan
Mrs. Wheaton
Mr. Larson
Mr. Martin
Gov. Pyle
Mr. Hagerty
Dr. Hauge
Gen. Goodpaster
Mr. Patterson
Mr. Minnich

Amb. Lodge's Report - Amb. Lodge commented very briefly on the status of matters in Iran, Afghanistan and Pakistan, which he saw as strongly favorable toward the United States, and particularly on the determined effort India is making to raise its standard of living. He was glad to get the news that the Indian loan had been approved and he noted India's appreciation of the fact that the United States has never oppressed a people. In France and England he was impressed particularly by the low state of morale among government officials.

Amb. Lodge urged that greater effort be made to identify US economic assistance in such a way that it can be recognized by the people of the recipient country.

~~CONFIDENTIAL~~

Procurement Acceleration - After being welcomed back to the Administration by the President, Mr. Pike stated his mission as one "to expedite procurement and construction programs and to accomplish this within the limits of current budgets".

Mr. Pike outlined the steps being taken in the various agencies, particularly Defense, to accelerate worthy business. He saw a need for impressing officials at every level with the need for moving fast on procurement and the obligation of funds. He called attention also to the VA hospital program which could be accelerated only if engineering and design functions were contracted out instead of being accomplished by the limited number of VA personnel. He concluded that there was no great potential in most agencies for stimulating employment nationally since the margin for accelerating operations was comparatively small.

The President directed Cabinet members to insure that everything that could be done would be done and that they should keep in touch with Mr. Pike on accomplishments.

Area Development Program - Sec. Weeks called attention again to the far-reaching Douglas bill which he hoped would be given a very hard look if it ever reached the President's desk. He felt that neither the Douglas bill nor the Administration bill could have a sufficiently early impact to contribute to quick improvement of the situation in labor surplus areas. He stated that the Administration bill had been reviewed for the possibility of improvement and that he now recommended that the Administration not change its approach. He again emphasized the long range nature of the Area Development Program.

Economic Situation - In a very brief report Dr. Saulnier emphasized that consumer price levels do not necessarily fall during a short recession, as witness 1953-54. This results from the fact that a third of the Price Index is composed of foodstuffs which depend on agricultural conditions, and another third on services which are always slow to change. The final third -- "other commodities" -- has fallen recently but not so much as in 1953-54, perhaps primarily because of the smallness of dealer margins in recent years. In response to the President's query, Dr. Saulnier stated that rents are a fair part of the services area and that they have risen slightly.

Oil Imports - Sec. Weeks recalled the steps taken last July, then stated that the situation had become more complicated because of noncompliance principally by a single company, decreased demand, and the advent of new importers. He pointed out that production in Texas had recently been cut to a nine-day per month basis.

Sec. Weeks enumerated the various possibilities: (1) voluntary controls; (2) mandatory controls; (3) tariff; (4) no Government action. He believed that foreign policy considerations ruled out the practicality of action through tariffs.

Sec. Weeks stated that the Subcommittee had studied hardest how to make voluntary controls more effective, which might be done by invoking the Buy American Act against importers who refused to comply with the voluntary control program. He stated that the largest Government buyers -- Post Office, Defense, and GSA -- are studying further the actions they might take. The President asked if Government contractors might also operate under a policy like the Government's Buy American policy and thus extend the range. The Attorney General stated this would require study but he felt it might result in a lengthy law suit before final decision. The President emphasized the need for having some sanction over any ruthless company.

Sec. Weeks made clear that the Committee has yet to make a determination between mandatory controls and voluntary controls. The President noted how certain producers seemed to have anticipated his decision, and he asked Sec. Anderson or Sec. Weeks to set them straight as to the status of the matter.

Sec. Weeks stated that an increase in demand was not in sight, then went on to express his belief that any action taken by the Administration should be by Executive Order rather than legislation.

Gen. Persons called attention to the potential impact of the oil situation on the Trade Agreements legislation.

Mr. Rogers pointed out that the nearly complete compliance thus far in the voluntary agreements of last July would seem to preclude any justification for changing now to mandatory controls. The President again emphasized that one organization should not be allowed to get away with breaking the agreements when all others complied. He added that the four-day schedule for some pipelines seemed to substantiate the bad position of the oil industry.

Mr. Quarles called attention to the increasing interest among Members of Congress for getting the Defense Department to decrease its offshore program, a change that would be contrary to statements made at the NATO meeting. The President could see no merit in such a change since a very great defense factor was involved through the wartime supply potential, particularly in spare parts, established overseas through offshore procurement.

Disposal of Real Property (CP 58-25/1) - The President recalled his continued interest over the past five years in pressing this program.

Mr. Brundage summarized the Cabinet paper, pointed out that some 1866 declarations of surplus had been made, that over $600 million worth of property had been sold, and another $150 million worth transferred to other departments. He stressed particularly the improvements

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accomplished in the management and disposal techniques pertaining to surplus property. He noted, however, that Defense and AEC acquisitions had increased Government property holdings by $2.7 billion in the past two years.

The administrator of this program, Mr. David Brill, stated the desirability of continuing the program and urged that there be intensive continuing review of property holdings. Mr. Bryant, speaking for the Defense Department, stated that it would soon report as surplus about 1,450,000 acres that had been acquired at a cost of more than $1 billion. It would be necessary, however, to insure that these lands did not possess transfer value. He emphasized that the Department did not acquire any new properties without first studying closely the possibility of filling the need through transfer.

Mr. Floete stated the Administration's intention to go ahead with the program unless good reason to the contrary should be shown.

The President concluded the discussion with comment on the traditional tendency of the Services over the past forty years to be "string savers".

Agricultural Developments - Sec. Benson reported the unfavorable developments in the Senate which might inflict a requirement on the Administration to freeze price supports, to increase acreage allotments, and to engage in various barter operations despite the protests of friendly nations like Canada. He felt that the President might be presented with a bill that would require vetoing.

Sec. Benson then pointed out that per capita farm income is the highest in history, exceeding the previous peak of 1951, that the farm debt situation is good, that 1957 was a good crop year, that the dairy industry generally wished to move away from Government controls and rely on increased use of dairy products, that various polls show a majority of farmers wishing to decrease or completely eliminate Government controls, and that farmers are increasingly recognizing the soundness of the Administration program. Mr. Benson cited the specific pressure for the cotton amendment and the interest of soy bean producers and various other crops in defeating the amendment.

Sec. Anderson requested preparation of a brief memorandum that could be supplied to all Cabinet members concerning figures such as those presented by Sec. Benson. The latter indicated he would arrange this.

In conclusion, the President noted that a group recently visited him to urge dismissal of Sec. Benson and to challenge the accuracy of Mr. Benson's statistics. They felt justified because of the fall in parity from 118, which they used as a base, down to 82. Sec. Benson stated that most of the drop had occurred prior to 1953. He also indicated that some groups are more concerned with acreage cutbacks rather than price levels.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

5. Interim Report of the Cabinet Committee on Oil Imports

ACTION:

~~a) There was no objection to the rejection by the Secretary of Commerce of the alternatives of (i) no action and (ii) tariff action in the present situation.~~

b) It was agreed that as between the two practical alternatives (continuing voluntary controls or imposing mandatory controls), the Cabinet Committee and the Attorney General should go forward speedily with their review of methods of ensuring that voluntary controls have a wider as well as more effective application, e.g.

i) By denying direct government (especially Defense) procurement to those companies not complying with the voluntary control program, and

ii) ~~As the President suggested~~, by stipulating that firms with government contracts may not purchase from such non-complying companies.

~~iii) As the President suggested, by reducing the quotas themselves~~

~~The President indicated that as between doing nothing and imposing mandatory controls, he would prefer the latter, although under no circumstances by statute. Nevertheless, he wished it to be made perfectly clear that he has made no such decision at present.~~

c) The great importance of speedy decision on the above matters was emphasized.

c) ~~The President asked that~~ in the light of ~~reduced~~ diminished expectations for consumption, serious consideration be given to reducing the quotas themselves.

THE WHITE HOUSE
WASHINGTON

March 6, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, March 7

The following items are listed on the agenda for the Cabinet meeting tomorrow at 9:00 AM:

1. Report on his Trip (Ambassador Lodge)

While Ambassador Lodge has given you a private, personal report on his trip which has just been completed, you have also agreed that he should present to the Cabinet as a whole some of his chief observations of general interest. ✓

PRESENTATION TIME: 10 minutes

2. Progress Report on Acceleration of Procurement and Construction (Mr. Pike)

Mr. Pike is charged with the responsibility of assisting in accelerating the procurement of the various government departments and agencies where such acceleration can have an immediate beneficial economic effect. The sine qua non of his undertaking is: the personal attention and cooperation of every Cabinet Member and agency head. It is vital that his mission be underscored with these officials. Mr. Pike will take this occasion to call to their attention the absolute importance of immediate impact actions. He will sketch out the results of his endeavors today and the most promising potential avenues for procurement acceleration which he now foresees.

PRESENTATION TIME: 10 minutes

1/3 food
1/3 service
1/3 non-food commodities

3. Review of the Administration's Proposed Area Assistance Legislation (Secretary Weeks)

At Cabinet last Friday, the Vice President endorsed the suggestion of several Cabinet Members for a review of the Administration's present bill for area assistance. For several years you have vainly asked the Congress for action on this front. The Administration's bill, originally drafted in order to meet the problems of chronic labor surplus areas, is now in competition on the Hill with a more extravagant bill proposed by Senator Douglas. In view of the present recession, of the Vice President's firm suggestion that we take the initiative and propose matters for Congressional action, and of the new circumstances which may call for strengthening our own proposal, Secretary Weeks will present the results of the review which he and the interested Cabinet Members have been making of this legislation this week.

4. The Apparent Paradox of Falling Employment and Rising Consumer Prices (Dr. Saulnier)

This will take seven minutes. The explanation of the above paradox is a persistent question both within the Administration and in the public mind. It is important that the members of the Administration be forearmed with the explanatory economic facts in view of the many public queries likely to be directed to Cabinet Members concerning this question.

5. Interim Report of the Cabinet Committee on Oil Imports (Secretary Weeks)

The Cabinet Committee met for two hours on Tuesday considering the latest and probably the greatest of the recurrent crises in this area. The independent oil producers, pretty much in disregard of the government's repeated calls for voluntary cooperation, have been increasing their imports to the extent that there is a serious question as to whether the Committee can any longer refrain from recommending to you the imposition of mandatory import quotas. The Committee has actually come to no formal recommendations, but this whole matter is so controversial, touches so many Cabinet Members directly, and is so full of implications for both domestic and foreign policy that a full report on the status of the problem now is highly appropriate.

6. The Program for the Disposal of Surplus Federal Real Property (Mr. Brundage)

In April and October of 1955, with the advice of the Cabinet, you laid down the policies on identification and disposal which the Departments and Agencies were to follow, under the leadership of the Bureau of the Budget. We have had occasional reports since then, which have been valuable opportunities for you and the Cabinet to monitor progress. Director Brundage has asked that we schedule a new ten-minute report, and is bringing his consultant here from Chicago to help him present it.

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

March 5, 1958

MEMORANDUM FOR THE PRESIDENT

FROM: Maxwell M. Rabb

Several members of the Cabinet have expressed an interest in hearing something about Ambassador Lodge's recent trip. I understand that he will report to you privately on Thursday morning; there may well be, however, some highlight observations which the Cabinet as a whole should hear.

I will not list this item on the agenda but if you think it appropriate to have him talk for about ten minutes I know it would be appreciated all around.

MMR:sw

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CP - 58-25/1

March 5, 1958

THE WHITE HOUSE

Washington

THE CABINET

The Program for the Disposal of Surplus Federal Real Property

For consideration by the Cabinet, attached is a paper on the above subject prepared by the Director of the Bureau of the Budget. This paper reports the activities and accomplishments of this program, under the stewardship of the Bureau of the Budget, for the period January 1, 1954 to June 30, 1957. In addition to a general summary-annex, Exhibits are attached which reflect actions taken and results achieved by the affected Departments and certain of the other Agencies.

This matter was discussed previously in the Cabinet (cf RA - 18, Item 4 and RA - 33, Item 4).

In the attached paper, attention is called (a) to the Recommendations on page 3 and (b) to the two overall tables (A and B) summarizing disposal and acquisition (to be found immediately following the text of the Paper).

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

CP-58-25/1

March 5, 1958

CABINET PAPER—PRIVILEGED

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THE CABINET

The Program for the Disposal of Surplus Federal Real Property

Background: Federal agencies having large inventories of real property were requested by letter dated December 31, 1953 from the Bureau of the Budget and the General Services Administration to review their holdings. The agencies were requested to reevaluate their real property requirements, declare unneeded properties as excess, and expedite the disposal of surplus. Several informal statements on progress were made to the Cabinet. At its April 1, 1955 meeting, the Cabinet reviewed the progress made to that date. At that meeting the Cabinet:

1. Reaffirmed that "it is clearly the policy of the Administration that the Federal Government should divest itself of real property holdings which: (a) not being needed by any agency, are a drain on Federal resources; and (b) can be sold for the benefit of the U. S. Treasury, or (c) can, under certain conditions, be made available for local health or educational purposes."

2. Approved a recommendation that "each Department head should, by written directive, personally ensure that intensified efforts are made within his Department to implement this policy, specifically: to declare excess any real property which is not needed."

3. Noted that the program would be carried on by the individual departments and agencies under the stewardship of the Bureau of the Budget and the General Services Administration.

Discussion: The Federal Government has vast holdings of real property. The Federal Government owns, controls, and leases real property in every State of the Union, the territories and possessions, and in foreign countries. The June 30, 1956 inventory of owned real property of the Federal Government totalled $40.3 billion (acquisition cost). Reported leaseholds of the Federal Government as of that date required payment of annual rentals of $112.8 million.

The real property inventory does not include all Federal holdings of real property nor all of the costs of properties reported: i.e.; the public domain, trust properties, certain properties not reported for security reasons, real property involved in certain international arrangements, properties subject to recapture under emergency conditions, etc.

Despite the enormous amount of real property held and despite measures to control its size, the inventory continues to increase. The reported owned real property in the continental United States alone; as of December 31, 1953, included 11,493 installations with acquisition cost of $30.2 billion; as of June 30, 1956, it included 11,958 installations with acquisition cost of $34.3 billion. The world-wide holdings of real property reported in inventory on June 30, 1955 totalled $38 billion acquisition cost. As of June 30, 1956, these holdings were reported at $40.3 billion and as of June 30, 1957 they amounted to $42.9 billion.

The tremendous amount of real property held by the Federal Government requires extensive annual expenditure for protection, maintenance and other recurrent costs. For example, the Department of Defense Annual Report for fiscal year 1955 indicates that the cost of protection and maintenance for its properties alone totalled $1.5 billion. In addition to extensive contractual services, some 250,000 military and civilian personnel were engaged in protection and maintenance work on Department of Defense installations alone in fiscal year 1955. Department of Defense protection and maintenance costs are estimated to have increased by 5% in fiscal year 1956, and 15% in fiscal year 1957.

Actions Taken and Results:

1. All Federal agencies having sizable holdings of real property have undertaken review programs and disposal actions.

2. Bureau of the Budget Circular A-2 issued by direction of the President provided policy guidelines for the conduct of the reviews and the initiation and completion of reviews on an annual basis.

3. A small unit established in the Bureau of the Budget provided guidance and advice in the conduct of the reviews. Evaluation and inspection reports on agency reviews, holdings, and real property management have been prepared on each department and agency holding significant amounts of real property. The report on the General Services Administration is concerned with policies and procedures in screening of excess and disposal of surplus. No report has been prepared on the Department of Labor because it holds no federally-owned real property. With the exception of certain evaluation reports prepared as bases for additional work with the agencies, the reports have been submitted to the agencies. Additional inspection, follow-up, and evaluation work is in process.

4. Results of the review program include: (a) the disposal of real property having an acquisition cost of $1.7 billion for $622.6 million. (See tables in Annex) For a 3½-year summary of results, see Table B on page 3; (b) the declaration of excess by the agencies of 1,866 properties having an acquisition cost of $571.6 million; (c) the reuse of excess real property by the agencies through transfer and withdrawal of real property having an acquisition cost of more than $150 million; (d) substantial increases in disposals of surplus, declarations of excess, and transfers between agencies; (e) significant improvements in the management of real property by the departments and agencies and initiation of real property management programs in others. (See Exhibits A to J); (f) revision of regulations and procedures by the GSA for the screening of excess and disposal of surplus real property.

5. Despite the significant results achieved, the magnitude and continual growth of the real property inventory (see Tables A and B below) require continuing reviews of real property requirements, additional management improvements, and expediting the disposal of unneeded properties.

Recommendations:

1. Each Department head should evaluate the effectiveness of the review conducted by his department and ensure the adoption or restatement of measures necessary for the continuance of the review in accordance with Administration policy contained in Bureau of the Budget Circular (A-2).

2. Each Department head should take measures to ensure that new acquisitions of real property are kept to a minimum and that needs be met wherever possible from existing excess, surplus, or under-utilized properties.

3. Heads of departments or agencies having unneeded real property should take measures to ensure the expeditious disposal of such properties.

4. The Director of the Bureau of the Budget should submit periodic reports of progress on this program.

Data concerning the Federal holdings of real property contained in the accompanying tables in this report were based on the General Services Administration inventories of owned and leased real property as of June 30, 1956. The General Services Administration has just published the June 30, 1957 inventory of owned real property and anticipates publishing the June 30, 1957 inventory of leased real property in May 1958. A comparison of the inventories of owned real property as of June 30, 1956 and June 30, 1957 follows:

TABLE A

Agency	Total cost (in millions) June 30, 1957	June 30, 1956	Net Change	Percent of total change
Major increases:				
Defense	$28,479	$26,125	$2,354	87.6
Commerce	502	330	172	6.4
Atomic Energy Commission	3,110	3,004	106	3.9
Interior	4,008	3,926	82	3.1
Major decreases:				
Housing & Home Finance Agency	116	314	-198	-7.3
Subtotal	36,215	33,699	2,516	93.7
Other Agencies	6,731	6,560	171	6.3
Total	42,946	40,259	2,687	100.0

TABLE B

Comparative Inventory Table - 1953-1957
(Exclusive of real property utilized by the Federal Government by means of lease and other forms of agreement)
($ billions)

GSA Inventory Date	Inventory Cont. U. S.	Outside U. S.	Total	Net Change	Reductions in Inventory (Disposals)	Hypothetical Gross Change
Dec. 31,1953	30.2	4.5[1]	34.7[1]			
June 30,1955	32.5	5.5	38.0	+ 3.3	- 1.0	+ 4.3
June 30,1956	34.3	6.0	40.3	+ 2.3	- 0.4	+ 2.7
June 30,1957	36.2	6.7	42.9	+ 2.6	- 0.3	+ 2.9
Totals				+ 8.2[2]	- 1.7	+ 9.9[2]

FOOTNOTES:

1. The 4.5 billion dollars is an estimated order of magnitude figure only since the GSA did not inventory real property outside the Continental U.S.A. for December 31, 1953.

2. The changes in inventory position are not attributable to new acquisition alone - they include new acquisitions plus a substantial amount of increase due to refinement of records and corrections of reports originally submitted to GSA by the agencies.

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ANNEX

TABLE I

Disposal of Federally Owned Real Property by Federal Agencies
(During Program Period - January 1, 1954 to June 30, 1957)
($ Millions)

Fiscal Year	HHFA Sales		GSA Sales		OTHER DISPOSALS ALL AGENCIES 2/		RPFDC 1/ Sales		Totals ($ Millions)	
	Book Value	Sale Price	Acq. 3/ Cost	Sale Price	Acq. Cost	Sale Price	Book Value	Sale Price	Book Value Acq. Cost	Sale Price
1957	$116.5	$ 58.1	$26.7	$11.4	$174.0	$30.0	$ 12.3	$ 1.4	$ 329.5	$100.9
1956	170.5	84.5	87.4	25.8	125.4	6.1	28.7	18.2	412.0	134.6
1955	144.0	61.7	31.3	7.4	174.4	27.7	465.9	264.0	815.6	360.8
2nd ½ 54	78.1	16.2	19.5	5.5	66.3	6.0	- -	- -	163.9	27.7
Total	509.1	220.5	164.9	50.1	540.1	69.8	506.9	283.6	1,721.0	622.6

1/ Rubber Producing Facilities Disposal Commission

2/ Includes sales by all other agencies and all other disposals by all agencies representing substantial public benefits of disposals at discounts of up to 100% to State and local governments and eleemosynary institutions.

3/ Acquisition Cost

Notes: (1) There has been no requirement for uniform record keeping or central reporting. Available data on Sales by GSA in the immediately preceding 2½ years totalled $48.1 million in acquisition cost, sold for $11.9 million or an average annual sale price of $4 million.

(2) An estimated $400 million of surplus real property was available for disposal as of 6/30/57.

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TABLE II

Declarations of Excess Real Property by the Federal Agencies to the General Services Administration

Fiscal Year	No. of Cases	Acquisition Cost ($ Million)
1957	536	$118.8
1956	656	290.0 1/
1955	504	89.8
2nd ½ 54	170	73.0
Total for Program Period	1,866	571.6
1st ½ 54	110	32.2
1953	286	66.1

1/ Agency reorganization consolidated two divisions handling real property was reflected in accounting system.

TABLE III

Withdrawals by Federal Agencies from Excess and Surplus Real Property Inventories of GSA And Transfers from GSA and HHFA to Other Federal Agencies 1/
($ Millions)

Fiscal Year	Withdrawals		GSA Transfers		GSA Total		HHFA Transfers	Grand Total Transfers & Withdrawals
	No. of Cases	Acq. Cost	No. of Cases	Acq. Cost	No. of Cases	Acq. Cost	Acq. Cost	Acquisition Cost
1957	65	$ 7.1	102	$4.8	167	$11.9	$ 48.8	$ 60.7
1956	65	8.4	66	6.3	132	19.0	13.6	32.6
1955	45	8.6	72	55.5	121	95.9	21.9	17.8
1954	16	3.2	41	12.5	57	15.7	46.5	62.2
1953	14	6.3	12	5.2	26	11.5	NA	NA
1952	42	33.7	15	18.7	57	52.4	NA	NA

1/ Certain transfers between Federal agencies pursuant to special legislation and not cleared through GSA are not included. Transfers of National Industrial Reserve Plants from GSA to DOD are not included.

EXHIBIT A

DEPARTMENT OF STATE

Real Property Holdings of the Department of State as of June 30, 1956 *
(World Wide)

	Owned Real Property				Leased Real Property		
	No. of Inst.	No. of Acres	No. of Bldgs. & Structures	Acq. Cost	No. of Bldgs	Square Feet	Annual Rental
Office of Foreign Bldgs.	197	2,003	1,083	$148,108,000	718	2,826,951	$3,758,139
U.S. Section IBWC	24	85,682	179	63,913,000	(.5 acres-land only)		900
International Coop. Adm.	11	5	111	1,152,000	709	1,892,359	2,085,184
Total	232	87,690	1,373	$213,173,000	1,427	4,719,310	$5,844,223

Factors and measures affecting Department of State real property, inventory and management during the period December 31, 1953 to June 30, 1957 include:

1. Departmental policy and guidelines for the review of real property holdings were formulated.
2. A long range building program employing foreign currency availabilities to defray 75% of building costs, was developed to meet the expanding needs of the diplomatic and consular services and related overseas civilian operations.
3. A detailed inventory of all holdings outside the continental United States was completed and the data submitted to the General Services Administration for consolidated reporting.
4. The issuance system used by the Office of Foreign Buildings for the management of overseas real property was revised. This included the Manual of Regulations and the internal orders which control space planning, cost estimating, acquisition, site development, and disposal of unneeded real property.
5. The Office of Foreign Buildings appointed an architectural advisory panel to provide advice on the fitness and merit of design, materials, and construction
6. The Office of Foreign Buildings adopted the policy of employing American Architects to design new buildings and American engineers to supervise the construction.
7. The review conducted by the Office of Foreign Buildings directly affected 55 properties in 34 foreign locations, with a total value in excess of $10.5 million. Of these, 22 were sold for $1.4 million; 2 were exchanged for more suitable properties; 8 were licensed; 2 were returned to (foreign) national authorities; 21 are pending sale, of which 3 are expected to yield in excess of $7.5 million.
8. The International Boundary and Water Commission revised its policies and criteria in regard to existing holdings and new acquisitions required for projects in order to economize on land utilization and to release unneeded extensive acreages and improvements.
9. The Department of State's owned and leased inventory of real property increased during the review period as the result of new acquisitions in the Office of Foreign Buildings and the accession of the inventory of the International Cooperation Administration.

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* A comparison of the Department of State's holdings at the beginning of the program, December 31, 1953 with the latest inventory, June 30, 1956, cannot be drawn because foreign real property was not included in the first (1953) inventory.

EXHIBIT B

The Department of the Treasury

Real Property Holdings of the Department of the Treasury as of June 30, 1956 (World Wide)

Owned - 1,791 Inst.	79,591 Acres	4,507 Buildings	$215,483,000 Acq.Cost
Leased - 180 Leaseholds	131 Buildings	269,745 Sq. Feet	$345,519 Annual Rental

Comparative Inventory Positions - Owned Real Property (Continental United States - only)

	Dec. 31, 1953	June 30, 1956	Net Change
No. of Installations	1,132	1,436	+304
Number of Acres	27,544	27,475	- 69
Number of Buildings	3,188	3,878	+ 690
Acquisition Cost	$141,870,000	$190,497,000	+ $48,627,000

Factors and measures affecting the Department of the Treasury management and inventory of real property during the period December 31, 1953 to June 30, 1957 include:

1. The Department of the Treasury handled 245 disposal transactions pursuant to legislative authority and authority delegated by the General Services Administration. These disposals affected properties having a total acquisition cost of $1,811,032, and estimated fair market value of $53,187. These properties were sold for $19,251.

2. In addition to the above disposal actions, the Department made 160 declarations of excess to the General Services Administration. The acquisition cost of properties so declared totalled $5,561,000.

3. Part of the increase in the inventory set out above is accounted for by adjustment and refinement of data initially submitted by the Coast Guard and by the accession by the Department of the residual inventories of the Reconstruction Finance Corporation and the Federal Facilities Corporation.

4. Steps and measures to improve real property management were taken by the Coast Guard including revision of operating instructions, review of program responsibilities and functions, and the implementation of a policy to consolidate Coast Guard and Navy supply activities.

EXHIBIT C

THE DEPARTMENT OF DEFENSE

The Department of Defense reported the total acquisition cost of its owned real property to be $26,173,943,000 as of June 30, 1956. Due to security and other reasons complete data were not reported. Moreover, that portion of the inventory which was reported was incomplete. In addition to owned real property, the Department occupies and/or controls very extensive amounts of real estate by means of leases, permits, base agreements and other arrangements including right of recapture and pre-emption.

The annual rentals for real estate leased by the Department of Defense as of June 30, 1956 totalled $20,376,406.

In addition to the foregoing, the Department of Defense has substantial holdings of lands withdrawn from the public domain, and right of recapture under emergency conditions of 128 plants sold subject to National Security Clause. In addition, numerous facilities have been earmarked for defense production and use in event of national emergency. Very substantial additional acquisition and construction are in process and planned.

Comparative Inventory Positions - Owned Real Property
(Continental United States - only)

	Dec. 31, 1953	June 30, 1956	Net Change
No. of Installations	2,653	3,382	+ 729
Number of Acres	21,111,939	26,574,629	+ 5,462,690
Number of Buildings	265,680	259,877	- 5,803
Acquisition Cost	$ 18,803,641,000	$ 21,474,647,000	+ $2,671,006,000

Factors and measures affecting the Department of Defense management and inventory of real property during the period December 31, 1953 and June 30, 1957 include:

1. The Department of Defense handled 4,836 surplus real property disposal transactions. These disposals were made pursuant to legislative authority and authority delegated by the General Services Administratio These disposals involved surplus real properties having a total acquisition cost of $132,999,134. These properties were sold for $25,085,788.

2. In addition to the above disposal activities, the Department made 800 declarations of excess to the General Services Administration. The acquisition costs of these properties totalled $247,397,000.

3. The Department of Defense actions by way of disposal of surplus and declaration of excess to the General Services Administration included real property having a total acquisition cost of $380,396,134.

4. Directives were issued containing statements of policy concerning the retention of real property by the military departments and criteria upon which to base determinations to retain or declare as excess.

5. Reviews were undertaken in each of the three Services essentially on a case-by-case basis with results thereof subject to evaluation in the Office of the Assistant Secretary of Defense for Properties and Installations.

6. Special studies involving real property requirements were undertaken in the Services including Army depots, Air Force weapon ranges and other categories of property.

EXHIBIT D

Department of Justice

Real Property Holdings of the Department of Justice as of June 30, 1956
(World Wide)

Owned	- 114 Installations	22,588 Acres	1,551 Buildings	$65,343,000 Acq. Cost
Leased	- 110 Leaseholds	40 Buildings	53,805 Sq. Ft.	$87,731 Annual Rental

Comparative Inventory Positions - Owned Real Property
(Continental United States - only)

	Dec. 31, 1953	June 30, 1956	Net Change
No. of Installations	97	105	+ 8
Number of Acres	22,631	22,581	- 50
Number of Buildings	1,369	1,539	+ 170
Acquisition Cost	$61,233,000	$63,719,000	+ $2,486,000

Factors and measures affecting Department of Justice management and inventory of real property during the period December 31, 1953 to June 30, 1957 include:

1. Fifteen properties having a total acquisition cost of $6,619,000 were declared excess to the General Services Administration. Nine properties having an acquisition cost of $13,711 were disposed of by the Department under legislative or delegated authority.

2. Realignment of field boundaries, delegations of authority and other measures taken by the Immigration and Naturalization Service resulted in elimination of 22 offices and the closing of several major detention facilities.

3. For reasons of economy, the Immigration and Naturalization Service is following a policy of joint occupancy of holdings with other agencies having related or compatible activities. A program for adequate border stations and joint customs-immigration stations has been developed.

4. Policies and criteria have been promulgated by the Bureau of Prisons in regard to requirements for lands in the Federal Prisons System. Measures are also being taken to clarify ownership and title questions particularly where improvements are located on lands not in Department of Justice ownership.

EXHIBIT E

POST OFFICE DEPARTMENT

Real Property Holdings of the Post Office Department as of June 30, 1956 (World Wide)

Owned - 3,117 Installations 1,604 Acres 3,099 Buildings $474,156,000 Acq. Cost
Leased-23,111 Leaseholds 23,397 Bldgs. 43,828,460 Sq.Ft. $32,370,579 Annual Rental

Comparative Inventory Positions - Owned Real Property (Continental United States - only)

	Dec. 31, 1953	June 30, 1956	Net Change
No. of Installations	3,087	3,103	+ 16
Number of Acres	1,585	1,590	+ 5
Number of Buildings	3,106	3,083	- 23
Acquisition Cost	$468,254,000	$468,672,000	+ $418,000

Comparative Inventory Positions - Leased and Rented Buildings

	June 30, 1953	June 30, 1956	Net Change
Number	23,640	23,397	- 243
Annual Rental	$26,192,588	$32,767,000	+$6,574,412

Factors and measures affecting the Post Office Department real property, inventory and management during the period December 31, 1953 to June 30, 1957 include:

1. The Department completed extensive reorganization and regionalization which included: the delegation of significant leasing authority to the regional offices, and the establishment of the Office of Research and Engineering to provide the Postmaster General and the Deputy Postmaster General with staff services which include matters affecting real property.

2. Of the 224 sites acquired by the General Services Administration prior to 1953 for the construction of post offices and Federal office buildings, the Department released 46. Of these, the General Services Administration disposed of 35. In addition, the Department obtained via transfer from the General Services Administration 42 other sites in anticipation of the construction of buildings thereon under the Lease Purchase Program.

3. The Department's inventory of leased, rented, and owned real property was included in an electronic tabulating control system.

4. From January 1953 to June 1957, the Department had obtained, under its commercial leasing program, the construction and/or remodeling of 1,766 buildings containing 7.8 million square feet at a total construction cost to the lessors of $73 million.

5. Under the Lease Purchase Program the Department prepared plans for the construction of 49 buildings containing 1.7 square feet with an estimated cost of $277 million which have been approved by the Public Works Committee. Of these, bids have been accepted and construction has proceeded on three buildings containing 18,571 square feet and costing $369,045.

6. Extensive and intensive research is being conducted to determine the most economical internal handling and routing of mail and the location and capacity of new facilities.

7. Extensive improvement of existing facilities has been achieved by means of the light, color, and ventilation program and the mechanization program.

EXHIBIT F

THE DEPARTMENT OF THE INTERIOR

Real Property Holdings of the Department of the Interior as of June 30, 1956
(World-Wide)

Owned - 1,332 Installations 553,536,933 Acres 29,654 Bldgs. $3,926,372,000 Acq.Cost

Leased - 149 Leaseholds 83 Bldgs. 220,431 Sq. Ft. $268,575 Annual Rental

Comparative Inventory Positions - Owned Real Property
(Continental United States - only)

	Dec. 31, 1953	June 30, 1956	Net Change
No. of Installations	1,033	1,077	+ 44
Number of Acres	212,122,995	212,424,546	+ 301,549
Number of Buildings	29,686	27,462	- 1,224
Acquisition Cost	$3,256,469,000	$3,640,829,000	+ $384,360,000

Factors and measures affecting the Department of Interior management and inventory of real property during the period December 31, 1953 to June 30, 1957 include:

1. Pursuant to legislative authority and authority delegated by the General Services Administration, the Department of Interior handled 30,355 disposal transactions. These transactions involved real property having acquisition cost of $12,170,120 and estimated fair market value of $13,800,174. These properties, together with some public domain lands, were sold for $19,820,231.

2. In addition to the disposal actions above, the Department of Interior made 182 declarations of excess real property to the General Services Administration. The acquisition cost of the properties so declared totalled $17,304,000.

3. Evaluations have been made of program justifications for retention of certain real property holdings. In the Bureau of Indian Affairs an Evaluation Committee with representation of the various levels of management has been engaged in this work.

4. The Department transferred or disposed of 100 of 146 hospital properties. The acquisition cost of these properties transferred or disposed of totalled approximately $6.5 million.

5. The net increase in acquisition costs is attributed to approximately $83,000,000 in land acquisition for reclamation projects and $269,000,000 in structures and facilities in projects of Bureau of Reclamation, Bonneville Power Administration and Southwest Power Administration. The balance is essentially attributable to improvements, roads, etc., in the National Park Service.

EXHIBIT G

DEPARTMENT OF AGRICULTURE

Real Property Holdings of the Department of Agriculture as of June 30, 1956 (World Wide)

Owned - 470 Installations 188,383,613 Acres 3,367 Bldgs. $730,200,000 Acq. Cost

Leased - 3,326 Leaseholds 3,256 Bldgs. 2,564,826 Sq. Ft. $2,464,587 Annual Rental

Comparative Inventory Positions - Owned Real Property (Continental United States - only)

	Dec. 31, 1953	June 30, 1956	Net Change
No. of Installations	489	460	- 29
No. of Acres	168,482,888	167,609,915	- 872,973
No. of Buildings	3,374	3,301	- 73
Acquisition Cost	$607,036,000	$724,181,000	+ $117,145,000

Factors and measures affecting Department of Agriculture management and inventory of real property during the period December 31, 1953 to June 30, 1957 include:

1. The Department handled 1,088 disposal transactions pursuant to legislative authority and authority delegated by the General Services Administration. These disposals affected properties having a total acquisition cost of $20,350,960 and estimated fair market value of $413,722. These properties were sold for $1,679,627.

2. In addition to the above disposal actions, the Department made 77 declarations of excess property to the General Services Administration. The acquisition cost of the declared properties totalled $2,814,000.

3. The net increase in the inventory position set out above is attributable primarily to improvements made by the Forest Service on the public domain lands including roads, trails, recreational facilities, markers, demarcation lines, etc.

EXHIBIT H

DEPARTMENT OF COMMERCE

Real Property Holdings of the Department of Commerce as of June 30, 1956
(World Wide)

Owned - 407 Installations	126,708 Acres	2,541 Buildings	$330,012,000 Acq.Cost
Leased - 1,283 Leaseholds	284 Buildings	886,964 Sq. Ft.	$653,095 Annual Rental

Comparative Inventory Positions - Owned Real Property
(Continental United States - only)

	Dec. 31, 1953	June 30, 1956	Net Change
No. of Installations	331	299	- 32
Number of Acres	38,460	32,048	- 6,412
Number of Buildings	1,225	1,125	- 100
Acquisition Cost	$210,666,000	$209,150,000	-$1,516,000

Factors and measures affecting Department of Commerce management and inventory of real property during period December 31, 1953 to June 30, 1957, include:

1. The Department conducted 173 disposal transactions pursuant to legislative authority and authority delegated by the General Services Administration. These disposals affected real properties having a total acquisition cost of $2,379,305 and an estimated fair market value of $2,089,946. These properties were sold for $3,637.

2. In addition to the above disposal actions, the Department made 50 declarations of excess property to the General Services Administration. The acquisition cost of the declared properties totalled $15,147,000.

3. The Department:

    a. Inaugurated a program for the management of real property.

    b. Provided policy and criteria for the conduct of review and reporting by the primary organization units on an annual basis.

    c. Strengthened the resources at departmental level for the management and review programs, and

    d. Provided for periodic inspections of real property holdings.

EXHIBIT I

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Real Property Holdings of the Department of Health, Education and Welfare As of June 30, 1956 (World Wide)

Owned - 219 Installations	5,312 Acres	1,746 Buildings	$200,751,000 Acq. Cost
Leased - 27 Leaseholds	32 Buildings	88,096 Sq. Ft.	$108,641 Annual Rental

Comparative Inventory Positions - Owned Real Property (Continental United States - only)

	Dec. 31, 1953	June 30, 1956	Net Change
No. of Installations	41	193	+152
Number of Acres	4,350	4,803	+453
Number of Buildings	646	1,431	+785
Acquisition Cost	$118,602,000	$171,408,000	+52,806,000

Factors and measures affecting Department of Health, Education and Welfare management and inventory of real property during period December 31, 1953 and June 30, 1957 include:

1. A real property management program was initiated. A formal statement of departmental policy in regard to real property holdings and management was developed and issued.

2. The December 31, 1953 real property inventory reported the Department to be accountable for property having an acquisition cost of $118.6 million. Actually the Department had accountability for only 3 installations having an acquisition cost of $17.5 million. The balance of the properties in use by the Department were in fact held by the General Services Administration. During the review program, the Department accepted accountability for the balance of these properties.

3. Pursuant to legislative authority, 56 hospitals have been transferred from the Department of Interior, Bureau of Indian Affairs to the Department of Health, Education, and Welfare.

4. The 1953 inventory did not contain the schools constructed under the Office of Education school aid program. In 1956, the inventory contained 68 schools having an acquisition cost of $30.0 million.

5. The Department declared excess 21 real properties having an acquisition cost of $4.7 million.

6. Under its statutory role of disposing of Federal surplus real property for educational or public health (including research) purposes, the Department handled 728 disposal transactions. These disposals affected properties having a total acquisition cost of $44.3 million and an estimated fair market value of $24.9 million. The properties were disposed of, subject to public benefit discounts up to 100% thereby bringing a return of $289,000.

REVIEW ACTIONS IN AGENCIES HAVING IMPORTANT HOLDINGS OF REAL PROPERTY

Atomic Energy Commission

Real Property Holdings of the Atomic Energy Commission as of June 30, 1956
(World Wide)

Owned -	79 Installations	1,878,133 Acres	16,956 Buildings	$3,004,407,000 Acq.Cost
Leased-	29 Leaseholds	8 Buildings	86,630 Sq. Ft.	$131,096 Annual Rental

Comparative Inventory Positions - Owned Real Property
(Continental United States - only)

	Dec. 31, 1953	June 30, 1956	Net Change
No. of Installations	68	75	+ 7
No. of Acres	2,129,643	1,878,133	- 251,510
No. of Buildings	20,386	16,679	- 3,707
Acquisition Cost	$1,843,580,000	$2,986,098,000	+ $1,142,518,000

Factors and measures affecting the Atomic Energy Commission real property inventory and management during the period December 31, 1953 to June 30, 1957 include:

1. The Atomic Energy Commission handled 5,458 disposal transactions involving real properties which had a total acquisition cost of $63,598,729. These properties sold for $19,070,125.

2. The Commission made 50 declarations of excess real property to the General Services Administration. These properties had a total acquisition cost of $43,110,000.

3. The total acquisition cost of real properties disposed of by the Atomic Energy Commission and declared excess to the General Services Administration exceeded $106.7 million during the three and one-half year period.

CABINET PAPER—PRIVILEGED

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CP -58-25/1

March 7, 1958

The White House

Washington

THE CABINET

The Program for the Disposal of Surplus Federal Real Property

The attached approved paper is circulated for action by each Cabinet Department and affected Agency, under the general leadership of the Director of the Bureau of the Budget and the Administrator of General Services.

This paper and its recommendations were approved at the Cabinet meeting of March 7, 1958 (RA - 58-98, Item 6), at which time the President admonished the Departments and agencies to guard against becoming "string-savers" of real estate.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

CP-58-25/1

March 5, 1958

CABINET PAPER—PRIVILEGED

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THE CABINET

The Program for the Disposal of Surplus Federal Real Property

Background: Federal agencies having large inventories of real property were requested by letter dated December 31, 1953 from the Bureau of the Budget and the General Services Administration to review their holdings. The agencies were requested to reevaluate their real property requirements, declare unneeded properties as excess, and expedite the disposal of surplus. Several informal statements on progress were made to the Cabinet. At its April 1, 1955 meeting, the Cabinet reviewed the progress made to that date. At that meeting the Cabinet:

1. Reaffirmed that "it is clearly the policy of the Administration that the Federal Government should divest itself of real property holdings which: (a) not being needed by any agency, are a drain on Federal resources; and (b) can be sold for the benefit of the U. S. Treasury, or (c) can, under certain conditions, be made available for local health or educational purposes."

2. Approved a recommendation that "each Department head should, by written directive, personally ensure that intensified efforts are made within his Department to implement this policy, specifically: to declare excess any real property which is not needed."

3. Noted that the program would be carried on by the individual departments and agencies under the stewardship of the Bureau of the Budget and the General Services Administration.

Discussion: The Federal Government has vast holdings of real property. The Federal Government owns, controls, and leases real property in every State of the Union, the territories and possessions, and in foreign countries. The June 30, 1956 inventory of owned real property of the Federal Government totalled $40.3 billion (acquisition cost). Reported leaseholds of the Federal Government as of that date required payment of annual rentals of $112.8 million.

The real property inventory does not include all Federal holdings of real property nor all of the costs of properties reported: i.e.; the public domain, trust properties, certain properties not reported for security reasons, real property involved in certain international arrangements, properties subject to recapture under emergency conditions, etc.

Despite the enormous amount of real property held and despite measures to control its size, the inventory continues to increase. The reported owned real property in the continental United States alone; as of December 31, 1953, included 11,493 installations with acquisition cost of $30.2 billion; as of June 30, 1956, it included 11,958 installations with acquisition cost of $34.3 billion. The world-wide holdings of real property reported in inventory on June 30, 1955 totalled $38 billion acquisition cost. As of June 30, 1956, these holdings were reported at $40.3 billion and as of June 30, 1957 they amounted to $42.9 billion.

The tremendous amount of real property held by the Federal Government requires extensive annual expenditure for protection, maintenance and other recurrent costs. For example, the Department of Defense Annual Report for fiscal year 1955 indicates that the cost of protection and maintenance for its properties alone totalled $1.5 billion. In addition to extensive contractual services, some 250,000 military and civilian personnel were engaged in protection and maintenance work on Department of Defense installations alone in fiscal year 1955. Department of Defense protection and maintenance costs are estimated to have increased by 5% in fiscal year 1956, and 15% in fiscal year 1957.

Actions Taken and Results:

1. All Federal agencies having sizable holdings of real property have undertaken review programs and disposal actions.

2. Bureau of the Budget Circular A-2 issued by direction of the President provided policy guidelines for the conduct of the reviews and the initiation and completion of reviews on an annual basis.

3. A small unit established in the Bureau of the Budget provided guidance and advice in the conduct of the reviews. Evaluation and inspection reports on agency reviews, holdings, and real property management have been prepared on each department and agency holding significant amounts of real property. The report on the General Services Administration is concerned with policies and procedures in screening of excess and disposal of surplus. No report has been prepared on the Department of Labor because it holds no federally-owned real property. With the exception of certain evaluation reports prepared as bases for additional work with the agencies, the reports have been submitted to the agencies. Additional inspection, follow-up, and evaluation work is in process.

4. Results of the review program include: (a) the disposal of real property having an acquisition cost of $1.7 billion for $622.6 million. (See tables in Annex) For a 3½-year summary of results, see Table B on page 3; (b) the declaration of excess by the agencies of 1,866 properties having an acquisition cost of $571.6 million; (c) the reuse of excess real property by the agencies through transfer and withdrawal of real property having an acquisition cost of more than $150 million; (d) substantial increases in disposals of surplus, declarations of excess, and transfers between agencies; (e) significant improvements in the management of real property by the departments and agencies and initiation of real property management programs in others. (See Exhibits A to J); (f) revision of regulations and procedures by the GSA for the screening of excess and disposal of surplus real property.

5. Despite the significant results achieved, the magnitude and continual growth of the real property inventory (see Tables A and B below) require continuing reviews of real property requirements, additional management improvements, and expediting the disposal of unneeded properties.

Recommendations:

1. Each Department head should evaluate the effectiveness of the review conducted by his department and ensure the adoption or restatement of measures necessary for the continuance of the review in accordance with Administration policy contained in Bureau of the Budget Circular (A-2).
2. Each Department head should take measures to ensure that new acquisitions of real property are kept to a minimum and that needs be met wherever possible from existing excess, surplus, or under-utilized properties.
3. Heads of departments or agencies having unneeded real property should take measures to ensure the expeditious disposal of such properties.
4. The Director of the Bureau of the Budget should submit periodic reports of progress on this program.

Data concerning the Federal holdings of real property contained in the accompanying tables in this report were based on the General Services Administration inventories of owned and leased real property as of June 30, 1956. The General Services Administration has just published the June 30, 1957 inventory of owned real property and anticipates publishing the June 30, 1957 inventory of leased real property in May 1958. A comparison of the inventories of owned real property as of June 30, 1956 and June 30, 1957 follows:

TABLE A

Agency	Total cost (in millions) June 30, 1957	 June 30, 1956	 Net Change	Percent of total change
Major increases:				
Defense	$28,479	$26,125	$2,354	87.6
Commerce	502	330	172	6.4
Atomic Energy Commission	3,110	3,004	106	3.9
Interior	4,008	3,926	82	3.1
Major decreases:				
Housing & Home Finance Agency	116	314	-198	-7.3
Subtotal	36,215	33,699	2,516	93.7
Other Agencies	6,731	6,560	171	6.3
Total	42,946	40,259	2,687	100.0

TABLE B

Comparative Inventory Table - 1953-1957
(Exclusive of real property utilized by the Federal Government by means of lease and other forms of agreement)
($ billions)

GSA Inventory Date	Inventory Cont. U. S.	 Outside U. S.	Total	Net Change	Reductions in Inventory (Disposals)	Hypothetical Gross Change
Dec. 31,1953	30.2	4.5[1]	34.7[1]			
June 30,1955	32.5	5.5	38.0	+ 3.3	- 1.0	+ 4.3
June 30,1956	34.3	6.0	40.3	+ 2.3	- 0.4	+ 2.7
June 30,1957	36.2	6.7	42.9	+ 2.6	- 0.3	+ 2.9
Totals				+ 8.2[2]	- 1.7	+ 9.9[2]

FOOTNOTES:

1. The 4.5 billion dollars is an estimated order of magnitude figure only since the GSA did not inventory real property outside the Continental U.S.A. for December 31, 1953.

2. The changes in inventory position are not attributable to new acquisition alone - they include new acquisitions plus a substantial amount of increase due to refinement of records and corrections of reports originally submitted to GSA by the agencies.

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ANNEX

TABLE I

Disposal of Federally Owned Real Property by Federal Agencies
(During Program Period - January 1, 1954 to June 30, 1957)
($ Millions)

Fiscal Year	HHFA Sales		GSA Sales		OTHER DISPOSALS ALL AGENCIES 2/		RPFDC 1/ Sales		Totals ($ Millions)	
	Book Value	Sale Price	Acq.3/ Cost	Sale Price	Acq. Cost	Sale Price	Book Value	Sale Price	Book Value Acq. Cost	Sale Price
1957	$116.5	$ 58.1	$26.7	$11.4	$174.0	$30.0	$ 12.3	$ 1.4	$ 329.5	$100.9
1956	170.5	84.5	87.4	25.8	125.4	6.1	28.7	18.2	412.0	134.6
1955	144.0	61.7	31.3	7.4	174.4	27.7	465.9	264.0	815.6	360.8
2nd ½ 54	78.1	16.2	19.5	5.5	66.3	6.0	- -	- -	163.9	27.7
Total	509.1	220.5	164.9	50.1	540.1	69.8	506.9	283.6	1,721.0	622.6

1/ Rubber Producing Facilities Disposal Commission

2/ Includes sales by all other agencies and all other disposals by all agencies representing substantial public benefits of disposals at discounts of up to 100% to State and local governments and eleemosynary institutions.

3/ Acquisition Cost

Notes: (1) There has been no requirement for uniform record keeping or central reporting. Available data on Sales by GSA in the immediately preceding 2½ years totalled $48.1 million in acquisition cost, sold for $11.9 million or an average annual sale price of $4 million.

(2) An estimated $400 million of surplus real property was available for disposal as of 6/30/57.

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For Action

TABLE II

Declarations of Excess Real Property by the Federal Agencies to the General Services Administration

Fiscal Year	No. of Cases	Acquisition Cost ($ Million)
1957	536	$118.8
1956	656	290.0 1/
1955	504	89.8
2nd ½ 54	170	73.0
Total for Program Period	1,866	571.6
1st ½ 54	110	32.2
1953	286	66.1

1/ Agency reorganization consolidated two divisions handling real property was reflected in accounting system.

TABLE III

Withdrawals by Federal Agencies from Excess and Surplus Real Property Inventories of GSA And Transfers from GSA and HHFA to Other Federal Agencies 1/
($ Millions)

Fiscal Year	Withdrawals		GSA Transfers		GSA Total		HHFA Transfers	Grand Total Transfers & Withdrawals
	No. of Cases	Acq. Cost	No. of Cases	Acq. Cost	No. of Cases	Acq. Cost	Acq. Cost	Acquisition Cost
1957	65	$ 7.1	102	$4.8	167	$11.9	$ 48.8	$ 60.7
1956	65	8.4	66	6.3	132	19.0	13.6	32.6
1955	45	8.6	72	55.5	121	95.9	21.9	17.8
1954	16	3.2	41	12.5	57	15.7	46.5	62.2
1953	14	6.3	12	5.2	26	11.5	NA	NA
1952	42	33.7	15	18.7	57	52.4	NA	NA

1/ Certain transfers between Federal agencies pursuant to special legislation and not cleared through GSA are not included. Transfers of National Industrial Reserve Plants from GSA to DOD are not included.

EXHIBIT A

DEPARTMENT OF STATE

Real Property Holdings of the Department of State as of June 30, 1956 *
(World Wide)

	Owned Real Property				Leased Real Property		
	No. of Inst.	No. of Acres	No. of Bldgs. & Structures	Acq. Cost	No. of Bldgs	Square Feet	Annual Rental
Office of Foreign Bldgs.	197	2,003	1,083	$148,108,000	718	2,826,951	$3,758,139
U.S. Section IBWC	24	85,682	179	63,913,000	(.5 acres-land only)		900
International Coop. Adm.	11	5	111	1,152,000	709	1,892,359	2,085,184
Total	232	87,690	1,373	$213,173,000	1,427	4,719,310	$5,844,223

Factors and measures affecting Department of State real property, inventory and management during the period December 31, 1953 to June 30, 1957 include:

1. Departmental policy and guidelines for the review of real property holdings were formulated.
2. A long range building program employing foreign currency availabilities to defray 75% of building costs, was developed to meet the expanding needs of the diplomatic and consular services and related overseas civilian operations.
3. A detailed inventory of all holdings outside the continental United States was completed and the data submitted to the General Services Administration for consolidated reporting.
4. The issuance system used by the Office of Foreign Buildings for the management of overseas real property was revised. This included the Manual of Regulations and the internal orders which control space planning, cost estimating, acquisition, site development, and disposal of unneeded real property.
5. The Office of Foreign Buildings appointed an architectural advisory panel to provide advice on the fitness and merit of design, materials, and construction.
6. The Office of Foreign Buildings adopted the policy of employing American Architects to design new buildings and American engineers to supervise the construction.
7. The review conducted by the Office of Foreign Buildings directly affected 55 properties in 34 foreign locations, with a total value in excess of $10.5 million. Of these, 22 were sold for $1.4 million; 2 were exchanged for more suitable properties; 8 were licensed; 2 were returned to (foreign) national authorities; 21 are pending sale, of which 3 are expected to yield in excess of $7.5 million.
8. The International Boundary and Water Commission revised its policies and criteria in regard to existing holdings and new acquisitions required for projects in order to economize on land utilization and to release unneeded extensive acreages and improvements.
9. The Department of State's owned and leased inventory of real property increased during the review period as the result of new acquisitions in the Office of Foreign Buildings and the accession of the inventory of the International Cooperation Administration.

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* A comparison of the Department of State's holdings at the beginning of the program, December 31, 1953 with the latest inventory, June 30, 1956, cannot be drawn because foreign real property was not included in the first (1953) inventory.

EXHIBIT B

The Department of the Treasury

Real Property Holdings of the Department of the Treasury as of June 30, 1956
(World Wide)

Owned - 1,791 Inst.	79,591 Acres	4,507 Buildings	$215,483,000 Acq.Cost
Leased - 180 Leaseholds	131 Buildings	269,745 Sq. Feet	$345,519 Annual Rental

Comparative Inventory Positions - Owned Real Property
(Continental United States - only)

	Dec. 31, 1953	June 30, 1956	Net Change
No. of Installations	1,132	1,436	+304
Number of Acres	27,544	27,475	- 69
Number of Buildings	3,188	3,878	+ 690
Acquisition Cost	$141,870,000	$190,497,000	+ $48,627,000

Factors and measures affecting the Department of the Treasury management and inventory of real property during the period December 31, 1953 to June 30, 1957 include:

1. The Department of the Treasury handled 245 disposal transactions pursuant to legislative authority and authority delegated by the General Services Administration. These disposals affected properties having a total acquisition cost of $1,811,032, and estimated fair market value of $53,187. These properties were sold for $19,251.

2. In addition to the above disposal actions, the Department made 160 declarations of excess to the General Services Administration. The acquisition cost of properties so declared totalled $5,561,000.

3. Part of the increase in the inventory set out above is accounted for by adjustment and refinement of data initially submitted by the Coast Guard and by the accession by the Department of the residual inventories of the Reconstruction Finance Corporation and the Federal Facilities Corporation.

4. Steps and measures to improve real property management were taken by the Coast Guard including revision of operating instructions, review of program responsibilities and functions, and the implementation of a policy to consolidate Coast Guard and Navy supply activities.

EXHIBIT C

THE DEPARTMENT OF DEFENSE

The Department of Defense reported the total acquisition cost of its owned real property to be $26,173,943,000 as of June 30, 1956. Due to security and other reasons complete data were not reported. Moreover, that portion of the inventory which was reported was incomplete. In addition to owned real property, the Department occupies and/or controls very extensive amounts of real estate by means of leases, permits, base agreements and other arrangements including right of recapture and pre-emption.

The annual rentals for real estate leased by the Department of Defense as of June 30, 1956 totalled $20,376,406.

In addition to the foregoing, the Department of Defense has substantial holdings of lands withdrawn from the public domain, and right of recapture under emergency conditions of 128 plants sold subject to National Security Clause. In addition, numerous facilities have been earmarked for defense production and use in event of national emergency. Very substantial additional acquisition and construction are in process and planned.

Comparative Inventory Positions - Owned Real Property
(Continental United States - only)

	Dec. 31, 1953	June 30, 1956	Net Change
No. of Installations	2,653	3,382	+ 729
Number of Acres	21,111,939	26,574,629	+ 5,462,690
Number of Buildings	265,680	259,877	- 5,803
Acquisition Cost	$ 18,803,641,000	$ 21,474,647,000	+ $2,671,006,000

Factors and measures affecting the Department of Defense management and inventory of real property during the period December 31, 1953 and June 30, 1957 include:

1. The Department of Defense handled 4,836 surplus real property disposal transactions. These disposals were made pursuant to legislative authority and authority delegated by the General Services Administration These disposals involved surplus real properties having a total acquisition cost of $132,999,134. These properties were sold for $25,085,788.

2. In addition to the above disposal activities, the Department made 800 declarations of excess to the General Services Administration. The acquisition costs of these properties totalled $247,397,000.

3. The Department of Defense actions by way of disposal of surplus and declaration of excess to the General Services Administration included real property having a total acquisition cost of $380,396,134.

4. Directives were issued containing statements of policy concerning the retention of real property by the military departments and criteria upon which to base determinations to retain or declare as excess.

5. Reviews were undertaken in each of the three Services essentially on a case-by-case basis with results thereof subject to evaluation in the Office of the Assistant Secretary of Defense for Properties and Installations.

6. Special studies involving real property requirements were undertaken in the Services including Army depots, Air Force weapon ranges and other categories of property.

EXHIBIT D

Department of Justice

Real Property Holdings of the Department of Justice as of June 30, 1956
(World Wide)

Owned	- 114 Installations	22,588 Acres	1,551 Buildings	$65,343,000 Acq. Cost
Leased	- 110 Leaseholds	40 Buildings	53,805 Sq. Ft.	$87,731 Annual Rental

Comparative Inventory Positions - Owned Real Property
(Continental United States - only)

	Dec. 31, 1953	June 30, 1956	Net Change
No. of Installations	97	105	+ 8
Number of Acres	22,631	22,581	- 50
Number of Buildings	1,369	1,539	+ 170
Acquisition Cost	$61,233,000	$63,719,000	+ $2,486,000

Factors and measures affecting Department of Justice management and inventory of real property during the period December 31, 1953 to June 30, 1957 include:

1. Fifteen properties having a total acquisition cost of $6,619,000 were declared excess to the General Services Administration. Nine properties having an acquisition cost of $13,711 were disposed of by the Department under legislative or delegated authority.

2. Realignment of field boundaries, delegations of authority and other measures taken by the Immigration and Naturalization Service resulted in elimination of 22 offices and the closing of several major detention facilities.

3. For reasons of economy, the Immigration and Naturalization Service is following a policy of joint occupancy of holdings with other agencies having related or compatible activities. A program for adequate border stations and joint customs-immigration stations has been developed.

4. Policies and criteria have been promulgated by the Bureau of Prisons in regard to requirements for lands in the Federal Prisons System. Measures are also being taken to clarify ownership and title questions particularly where improvements are located on lands not in Department of Justice ownership.

EXHIBIT E

POST OFFICE DEPARTMENT

Real Property Holdings of the Post Office Department as of June 30, 1956 (World Wide)

Owned - 3,117 Installations 1,604 Acres 3,099 Buildings $474,156,000 Acq. Cost
Leased-23,111 Leaseholds 23,397 Bldgs.43,828,460 Sq.Ft.$32,370,579 Annual Rental

Comparative Inventory Positions - Owned Real Property (Continental United States - only)

	Dec. 31, 1953	June 30, 1956	Net Change
No. of Installations	3,087	3,103	+ 16
Number of Acres	1,585	1,590	+ 5
Number of Buildings	3,106	3,083	- 23
Acquisition Cost	$468,254,000	$468,672,000	+ $418,000

Comparative Inventory Positions - Leased and Rented Buildings

	June 30, 1953	June 30, 1956	Net Change
Number	23,640	23,397	- 243
Annual Rental	$26,192,588	$32,767,000	+$6,574,412

Factors and measures affecting the Post Office Department real property, inventory and management during the period December 31, 1953 to June 30, 1957 include:

1. The Department completed extensive reorganization and regionalization which included: the delegation of significant leasing authority to the regional offices, and the establishment of the Office of Research and Engineering to provide the Postmaster General and the Deputy Postmaster General with staff services which include matters affecting real property.

2. Of the 224 sites acquired by the General Services Administration prior to 1953 for the construction of post offices and Federal office buildings, the Department released 46. Of these, the General Services Administration disposed of 35. In addition, the Department obtained via transfer from the General Services Administration 42 other sites in anticipation of the construction of buildings thereon under the Lease Purchase Program.

3. The Department's inventory of leased, rented, and owned real property was included in an electronic tabulating control system.

4. From January 1953 to June 1957, the Department had obtained, under its commercial leasing program, the construction and/or remodeling of 1,766 buildings containing 7.8 million square feet at a total construction cost to the lessors of $73 million.

5. Under the Lease Purchase Program the Department prepared plans for the construction of 49 buildings containing 1.7 square feet with an estimated cost of $277 million which have been approved by the Public Works Committee. Of these, bids have been accepted and construction has proceeded on three buildings containing 18,571 square feet and costing $369,045.

6. Extensive and intensive research is being conducted to determine the most economical internal handling and routing of mail and the location and capacity of new facilities.

7. Extensive improvement of existing facilities has been achieved by means of the light, color, and ventilation program and the mechanization program.

EXHIBIT F

THE DEPARTMENT OF THE INTERIOR

Real Property Holdings of the Department of the Interior as of June 30, 1956
(World-Wide)

Owned - 1,332 Installations 553,536,933 Acres 29,654 Bldgs. $3,926,372,000 Acq.Cost

Leased - 149 Leaseholds 83 Bldgs. 220,431 Sq. Ft. $268,575 Annual Rental

Comparative Inventory Positions - Owned Real Property
(Continental United States - only)

	Dec. 31, 1953	June 30, 1956	Net Change
No. of Installations	1,033	1,077	+ 44
Number of Acres	212,122,995	212,424,546	+ 301,549
Number of Buildings	29,686	27,462	- 1,224
Acquisition Cost	$3,256,469,000	$3,640,829,000	+ $384,360,000

Factors and measures affecting the Department of Interior management and inventory of real property during the period December 31, 1953 to June 30, 1957 include:

1. Pursuant to legislative authority and authority delegated by the General Services Administration, the Department of Interior handled 30,355 disposal transactions. These transactions involved real property having acquisition cost of $12,170,120 and estimated fair market value of $13,800,174. These properties, together with some public domain lands, were sold for $19,820,231.

2. In addition to the disposal actions above, the Department of Interior made 182 declarations of excess real property to the General Services Administration. The acquisition cost of the properties so declared totalled $17,304,000.

3. Evaluations have been made of program justifications for retention of certain real property holdings. In the Bureau of Indian Affairs an Evaluation Committee with representation of the various levels of management has been engaged in this work.

4. The Department transferred or disposed of 100 of 146 hospital properties. The acquisition cost of these properties transferred or disposed of totalled approximately $6.5 million.

5. The net increase in acquisition costs is attributed to approximately $83,000,000 in land acquisition for reclamation projects and $269,000,000 in structures and facilities in projects of Bureau of Reclamation, Bonneville Power Administration and Southwest Power Administration. The balance is essentially attributable to improvements, roads, etc., in the National Park Service.

EXHIBIT G

DEPARTMENT OF AGRICULTURE

Real Property Holdings of the Department of Agriculture as of June 30, 1956
(World Wide)

Owned - 470 Installations 188,383,613 Acres 3,367 Bldgs. $730,200,000 Acq. Cost

Leased - 3,326 Leaseholds 3,256 Bldgs. 2,564,826 Sq. Ft. $2,464,587 Annual Rental

Comparative Inventory Positions - Owned Real Property
(Continental United States - only)

	Dec. 31, 1953	June 30, 1956	Net Chan
No. of Installations	489	460	- 29
No. of Acres	168,482,888	167,609,915	- 872,973
No. of Buildings	3,374	3,301	- 73
Acquisition Cost	$607,036,000	$724,181,000	+ $117,145,000

Factors and measures affecting Department of Agriculture management and inventory of real property during the period December 31, 1953 to June 30, 1957 include:

1. The Department handled 1,088 disposal transactions pursuant to legislative authority and authority delegated by the General Services Administration. These disposals affected properties having a total acquisition cost of $20,350,960 and estimated fair market value of $413,722. These properties were sold for $1,679,627.

2. In addition to the above disposal actions, the Department made 77 declarations of excess property to the General Services Administration. The acquisition cost of the declared properties totalled $2,814,000.

3. The net increase in the inventory position set out above is attributable primarily to improvements made by the Forest Service on the public domain lands including roads, trails, recreational facilities, markers, demarcation lines, etc.

EXHIBIT H

DEPARTMENT OF COMMERCE

Real Property Holdings of the Department of Commerce as of June 30, 1956
(World Wide)

Owned - 407 Installations	126,708 Acres	2,541 Buildings	$330,012,000 Acq.Cost
Leased - 1,283 Leaseholds	284 Buildings	886,964 Sq. Ft.	$653,095 Annual Rental

Comparative Inventory Positions - Owned Real Property
(Continental United States - only)

	Dec. 31, 1953	June 30, 1956	Net Change
No. of Installations	331	299	- 32
Number of Acres	38,460	32,048	- 6,412
Number of Buildings	1,225	1,125	- 100
Acquisition Cost	$210,666,000	$209,150,000	-$1,516,000

Factors and measures affecting Department of Commerce management and inventory of real property during period December 31, 1953 to June 30, 1957, include:

1. The Department conducted 173 disposal transactions pursuant to legislative authority and authority delegated by the General Services Administration. These disposals affected real properties having a total acquisition cost of $2,379,305 and an estimated fair market value of $2,089,946. These properties were sold for $3,637.

2. In addition to the above disposal actions, the Department made 50 declarations of excess property to the General Services Administration. The acquisition cost of the declared properties totalled $15,147,000.

3. The Department:

    a. Inaugurated a program for the management of real property.

    b. Provided policy and criteria for the conduct of review and reporting by the primary organization units on an annual basis.

    c. Strengthened the resources at departmental level for the management and review programs, and

    d. Provided for periodic inspections of real property holdings.

EXHIBIT I

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Real Property Holdings of the Department of Health, Education and Welfare As of June 30, 1956 (World Wide)

Owned	- 219 Installations	5,312 Acres	1,746 Buildings	$200,751,000 Acq. Cost
Leased	- 27 Leaseholds	32 Buildings	88,096 Sq. Ft.	$108,641 Annual Rental

Comparative Inventory Positions - Owned Real Property
(Continental United States - only)

	Dec. 31, 1953	June 30, 1956	Net Change
No. of Installations	41	193	+152
Number of Acres	4,350	4,803	+453
Number of Buildings	646	1,431	+785
Acquisition Cost	$118,602,000	$171,408,000	+52,806,000

Factors and measures affecting Department of Health, Education and Welfare management and inventory of real property during period December 31, 1953 and June 30, 1957 include:

1. A real property management program was initiated. A formal statement of departmental policy in regard to real property holdings and management was developed and issued.

2. The December 31, 1953 real property inventory reported the Department to be accountable for property having an acquisition cost of $118.6 million. Actually the Department had accountability for only 3 installations having an acquisition cost of $17.5 million. The balance of the properties in use by the Department were in fact held by the General Services Administration. During the review program, the Department accepted accountability for the balance of these properties.

3. Pursuant to legislative authority, 56 hospitals have been transferred from the Department of Interior, Bureau of Indian Affairs to the Department of Health, Education, and Welfare.

4. The 1953 inventory did not contain the schools constructed under the Office of Education school aid program. In 1956, the inventory contained 68 schools having an acquisition cost of $30.0 million.

5. The Department declared excess 21 real properties having an acquisition cost of $4.7 million.

6. Under its statutory role of disposing of Federal surplus real property for educational or public health (including research) purposes, the Department handled 728 disposal transactions. These disposals affected properties having a total acquisition cost of $44.3 million and an estimated fair market value of $24.9 million. The properties were disposed of, subject to public benefit discounts up to 100% thereby bringing a return of $289,000.

REVIEW ACTIONS IN AGENCIES HAVING IMPORTANT HOLDINGS OF REAL PROPERTY

Atomic Energy Commission

Real Property Holdings of the Atomic Energy Commission as of June 30, 1956
(World Wide)

Owned - 79 Installations 1,878,133 Acres 16,956 Buildings $3,004,407,000 Acq.Cost
Leased- 29 Leaseholds 8 Buildings 86,630 Sq. Ft. $131,096 Annual Rental

Comparative Inventory Positions - Owned Real Property
(Continental United States - only)

	Dec. 31, 1953	June 30, 1956	Net Change
No. of Installations	68	75	+ 7
No. of Acres	2,129,643	1,878,133	- 251,510
No. of Buildings	20,386	16,679	- 3,707
Acquisition Cost	$1,843,580,000	$2,986,098,000	+ $1,142,518,000

Factors and measures affecting the Atomic Energy Commission real property inventory and management during the period December 31, 1953 to June 30, 1957 include:

1. The Atomic Energy Commission handled 5,458 disposal transactions involving real properties which had a total acquisition cost of $63,598,729. These properties sold for $19,070,125.

2. The Commission made 50 declarations of excess real property to the General Services Administration. These properties had a total acquisition cost of $43,110,000.

3. The total acquisition cost of real properties disposed of by the Atomic Energy Commission and declared excess to the General Services Administration exceeded $106.7 million during the three and one-half year period.

Tennessee Valley Authority

Real Property Holdings of the Tennessee Valley Authority as of June 30, 1956
(Continental United States)

Owned - 149 Installations 740,030 Acres 792 Buildings $1,509,670,000 Acq. Cost
Leased -119 Leaseholds 99 Buildings 661,345 Sq.Ft.$879,000 Annual Rental

Comparative Inventory Positions - Owned Real Property
(Continental United States - only)

	Dec. 31, 1953	June 30, 1956	Net Change
No. of Installations	158	149	- 9
Number of Acres	761,905	740,030	- 21,875
No. of Buildings	812	792	- 20
Acquisition Cost - Structures & Facilities	$946,679,000	$1,306,473,000	+ $359,794,000
Acquisition Cost - Total	$1,148,921,000	$1,509,670,000	+ $360,749,000

Factors and measures affecting Tennessee Valley Authority real property, inventory and management during the period December 31, 1953 to June 30, 1957 include:

1. TVA disposal of 25,365 acres of land for a total sale price of $4,673,824.

2. TVA is planning to increase its disposal rate from approximately 8,000 acres per year to 12,000 acres for fiscal year 1958 and 18,000 acres for fiscal year 1959.

3. The TVA policy of retaining land (except industrial sites) within a three mile radius of steam generating plants has been rescinded. This action should result in the release and sale of substantial acreage.

4. The TVA policy of permanently retaining land subject to flooding has been modified. Several sales of property in this category have been made.

5. The TVA is re-examining its real property in order to identify sites having industrial market potential.

6. The TVA is re-examining its criteria for the identification of additional sites particularly those with high marketability potential.

7. The TVA is investigating the possibility of reducing its disposal costs by use of limited warranty of quitclaim deeds.

Veterans Administration

Real Property Holdings of the Veterans Administration as of June 30, 1956 (World Wide)

Owned -196 Installations	39,140 Acres	8,768 Buildings	$1,101,527,000 Acq. Cost
Leased- 15 Leaseholds	15 Buildings	20,907 Sq. Ft.	$32,272 Annual Rental

Comparative Inventory Positions - Owned Real Property (Continental United States - only)

	Dec. 31, 1953	June 30, 1956	Net Change
No. of Installations	206	195	-11
Number of Acres	56,643	39,140	-17,503
No. of Buildings	10,161	8,767	-1,394
Acquisition Cost	$998,833,000	$1,100,816,000	+$101,983,000

Factors and measures affecting the Veterans Administration real property inventory and management during the period December 31, 1953 to June 30, 1957 include:

1. The Veterans Administration accepted and implemented the hospital site area standards recommended by the Bureau of the Budget. This action resulted in the Veterans Administration declaring to the General Services Administration of 15,648 acres of land as excess.
2. The Veterans Administration, under legislative authority and authority delegated to it by the General Services Administration disposed of real property having an acquisition cost of $3.2 million at a selling price of $432,670.
3. The Veterans Administration has formulated and issued a real property management manual which incorporates the site standards recommended by the Bureau of the Budget.
4. The majority of the increase in the inventory acquisition cost is due to the construction of five hospitals and the modernization of a number of others.

Housing and Home Finance Agency
Real Property Holdings of the Housing and Home Finance Agency as of June 30, 1956
(World Wide)

Owned -545	Installations	12,954 Acres	26,997 Buildings	$313,603,000 Acq. Cost
Leased-4	Leaseholds	4 Buildings	5,764 Sq. Ft.	$18,391 Annual Rental

Comparative Inventory Positions - Owned Real Property
(Continental United States-only)

	Dec. 31, 1953	June 30, 1956	Net Change
No. of Installations	1,059	530	-529
Number of Acres	35,076	12,933	-22,143
Number of Buildings	82,773	26,911	-55,862
Acquisition Cost	$947,581,000	$311,408,000	-$636,173,000

Factors and measures affecting the Housing and Home Finance Agency real property inventory and management during the period December 31, 1953 to June 30, 1957 include:

1. The Housing and Home Finance Agency (Public Housing Administration) has disposed of real property having an acquisition cost of approximately $700 million for a realization of $220.5 million. The real property disposed of includes lands, buildings, utility systems and other improvements. The buildings disposed of, by sale, donation, transfer, demolition, etc. totalled approximately 76,000.

2. The Housing and Home Finance Agency (Public Housing Administration) has assisted other Federal agencies to fill their needs for dwelling units by transfer of more than 25,000 surplus units with a book value of $130.8 million. (This represents some 10,000 buildings.) These transfers reduced the Government's needs for new acquisitions by approximately this number of dwelling units.

3. The Housing and Home Finance Agency (Public Housing Administration), acting as disposal agency for the Atomic Energy Commission, has disposed of more than 4,000 properties from the Oak Ridge, Tennessee; and Hanford, Washington, Atomic Energy Commission installations. The acquisition cost of these properties totalled $32.3 million. The realization was $16.5 million.

4. The size of the Public Housing Administration disposal staff has been reduced in parallel with the reduction of the surplus inventory and with the increased use made of the General Services Administration for the disposal of certain categories of real property.

General Services Administration

Real Property Holdings of the General Services Administration as of June 30, 1956 (World Wide)

Owned -904 Installations	41,254 Acres	4,960 Buildings	$1,156,802,000 Acq. Cost	
Leased-4,880 Leaseholds	4,839 Bldgs.	32,635,631 Sq.Ft.	$47,551,713 Annual Rental	

Comparative Inventory Positions - Owned Real Property (Continental United States - only)

	Dec. 31, 1953	June 30, 1956	Net Change
No. of Installations	1,044	889	-155
Number of Acres	175,855	40,019	-135,836
No. of Buildings	5,215	2,499	-2,716
Acquisition Cost	$1,298,935,000	$1,129,499,000	-$169,436,000

Comparative Inventory Position In-Leased Real Property (Continental United States - only)

	Dec. 31, 1953	June 30, 1956	Net Change
No. of Leases	4,800 Est.	4,864	+64
Number of Buildings	4,650 Est.	4,823	+173
Sq. Ft. in Buildings	37,700,000 Est.	32,572,956	+5,127,044
Annual Rental	$52,200,000 Est.	$47,344,786	+$4,855,214

Factors and measures affecting the General Services Administration real property inventory and management during the period December 31, 1953 to June 30, 1957 include:

1. The net reduction in the size of the inventory of General Services Administration owned real property is primarily accounted for by: (a) the transfer to the Department of Defense of National Industrial Reserve properties which had a total acquisition cost of approximately $180 million; and (b), the sale of General Services Administration owned real property which had a total acquisition cost of approximately $22.9 million.

2. Extensive revisions were made in the procedure for screening of excess and disposal of surplus.

3. The General Services Administration has accomplished a complete inventory of Government-owned real property and has carried it through three successive cycles i.e., December 31, 1953, June 30, 1955, and June 30, 1956. The fourth cycle, June 30, 1957 is in the process of assemblage. An inventory of real property leased or rented to the Government has been published for June 30, 1956. The second cycle to June 30, 1957 is in the course of preparation. In addition, an inventory of the legislative jurisdiction over owned real property as of June 30, 1957 is also in course of preparation.

4. In this 3½ year period, the General Services Administration, as disposal agent for the Government's surplus real property, sold 502 properties having an acquisition cost of $165 million for a selling price of $50 million.

THE WHITE HOUSE
WASHINGTON

March 8, 1958

MEMORANDUM FOR THE MEMBERS OF THE CABINET

Pursuant to Item B-2 of Record of Action 58-98 of March 7, attached is a set of papers, supplied by the Secretary of Agriculture, for your personal attention and use.

Maxwell M. Rabb
Secretary to the Cabinet

1958 FARM FACTS

Income per person on farms last year was highest on record - up 2 percent over 1951, the previous high year.

Farm assets are an all-time high - 188 billion dollars as of January 1, 1958.

Farmers have less than $11 in debts for each $100 of assets. In 1940 the ratio was$19 for each $100.

Owner equities rose 7 percent during 1957 to a peak of $168.4 billion.

Farm ownership is also at a record high. Only one in three farms has a mortgage.

The postwar downtrend in prices which started in 1951 has been stopped. Prices received by farmers in February were 8 percent above a year ago and 11 percent above two years ago.

The family farm continues to dominate agriculture. Ninety-six percent of our farms and ranches are family operations, about the same as 30 years ago.

The level of living on farms is highest in history.

Farm exports in fiscal 1957 set a new record of $4.7 billion - 68 percent higher than in fiscal 1953.

The surplus production of American farms is being made available for hungry people at home and abroad.

The build-up of surpluses has been reversed. Government investment in surplus farm products owned and under loan has dropped about one-sixth in the past year and a half.

The inventory value of livestock on farms for January 1, 1958, is $14.2 billion - higher by $3 billion than a year ago.

The spiraling inflation of the war years has been almost halted. During the period from 1939 to 1952 the index of prices paid by farmers, including interest, taxes and wage rates, increased more than 100 percent. From January 1953, when this Administration took office, to January 1958, this index rose only 6 percent.

LAST-MINUTE REPORT

How our readers voted

They split right down the middle on Federal farm programs. In this first, nation-wide poll, half favored no government help at all

NO wonder Government farm programs rile tempers and stir up so many fights!

When our statisticians counted the ballots that you mailed in from our December issue (page 38), they found farmers split right down the middle.

Almost exactly half (50.1%) wanted the Government to get clear out of farming. As the results below show, another 11% wanted help, but less help than now.

So three farmers out of five would either cut back on farm programs or eliminate them entirely.

Although these results were tabulated to the first decimal place, we don't claim that degree of accuracy.

This was a poll only of FARM JOURNAL readers—we were unable to poll non-subscribers. And studies show that magazine subscribers are above average in education and income.

This was a voluntary poll, too, and those interested enough to mail their ballots may not be typical of all readers.

But our statistical consultants believe that, in spite of these limitations, the results give "a pretty good indication of farmer thinking" because:

- FARM JOURNAL's circulation is big—3.4 million subscribers in all parts of the country.
- The response was good and the sample big enough. The tabulators took the first 4,000 ballots sent in by people who listed farming as their main occupation.
- The fact that opinion was so widely split lends confidence to the results. People on all sides of the question felt moved to vote.
- The statisticians checked, and there appears to be no big regional or state bias.

Eastern farmers took the strongest stand against government help—68% of them wanted the government out entirely.

Strongest defense of government help was made by the Central States—an area bounded by North Dakota, Kansas and Ohio. There, 35% voted for more government help than they have now. But in those same states, 43% wanted no government help at all.

One of the big surprises was that 53% of the southern respondents wanted the government out of farming. Southerners have always been considered strong defenders of price supports. Is a fundamental change taking place in their thinking?

Among those who voted for some help to farmers, price supports were a definite favorite (43%). And this vote was pretty uniform all over the country, except in the East where price supports got only 33% of the vote. Almost as many eastern farmers (32%) favored conservation payments.

The two-price plan got its strongest backing in the South and West (22% and 24% respectively) where some wheat and cotton growers favor it. However, both groups still gave the highest vote to price supports. So did feed grain and livestock farmers. Dairymen showed a slight preference for production payments (34%).

Only those farmers who favored price supports went on to vote on the *level* of price supports. Their vote was heavily (68%) in favor of higher supports and fewer acres than we have now.

Among these farmers, those in the Central States expressed the strongest regional preference for higher supports and more acres—75% wanted this, while only 6% were willing to take lower supports and more acres.

Cotton growers were the only ones to show any enthusiasm for lower supports and more acres—27% voted this way.

What conclusions can we draw?

Well, the chief one is that farmers can't be lumped together. No one can say that "farmers" are for this or that—they disagree vigorously among themselves.

Nevertheless, FARM JOURNAL's poll, the only national one we know of that cuts across all organization and commodity lines, does show how the wind is blowing. End

NATIONAL SUMMARY OF THE RESULTS

Favor more government help to farmers than now	**27%**
About the same as now	**12%**
Less Government help than now	**11%**
Government should get clear out of farming	**50%**

Those who wanted some government help voted for . . .	
Price supports and controls	**43%**
Production payments and controls	**21%**
Conservation payments to retire land completely	**22%**
Two-price plan	**14%**

Those who favored price supports voted for . . .	
Higher supports than we have now and fewer acres	**68%**
Lower supports than we have now with more acres	**8%**
About the same support level and acreage as now	**24%**

Reprinted from the February, 1958 issue of Farm Journal

Summary of Farm District Elections Survey

Records show that support of the Administration's farm program has not been a political liability to farm area Congressmen.

Out of 20 farm districts where Republican incumbents refused to support the Administration and voted to override the Presidential veto of the 1956 farm bill, 16 (80%) showed losses in their percentage of victory in 1956 over 1954. Two Republican Congressmen who failed to support the Administration on this vote were defeated by Democratic opposition.

Out of 20 farm district Republicans who supported the Administration and voted to sustain the Presidential veto of the 1956 farm bill, only 6 (30%) showed losses in their percentage of victory. No Republican Congressman who supported the Administration on this vote was defeated in 1956.

Exhibit (A)

FARM DISTRICT ELECTION RESULTS

INCREASE OR DECREASE IN PERCENT OF THE VOTE IN 1956 IN RELATION TO 1954 - BY FARM DISTRICTS* - FOR THOSE REPUBLICAN HOUSE MEMBERS WHO VOTED TO OVERRIDE THE PRESIDENTIAL VETO OF THE 1956 FARM BILL (H.R. 12)

Name and State	District Number	Rank (d)	Increase	Decrease	No Change (c)
Illinois:					
Simpson	-20	33		-3.3	
Springer	-22	45			+ .3
Iowa:					
Talle	- 2	14		-4.0	
Gross	- 3	12		-3.5	
LeCompte	- 4	44		-4.9	
(a) Dolliver	- 6	5		-10.4	
Jensen	- 7	17		-5.0	
Hoeven	- 8	8		-3.7	
Kansas:					
Avery	- 1	59		- .6	
George	- 3	145		- .4	
(b) Hope	- 5	16		-15.4	
Smith	- 6	28		-2.1	
Minnesota:					
Andersen	- 7	13	+3.3		
Nebraska:					
Weaver	- 1	23	+8.4		
North Dakota:					
Burdick) Krueger) A.L.		2	(Two) (Districts) (Combined)	-4.8	(Two Districts)
Oklahoma:					
Belcher	- 1	95		-1.6	
South Dakota:					
(a)Lovre	- 1	3		-10.4	
Barry	- 2	92		-6.9	
Wisconsin:					
O'Konski	-10	153	+4.7		
Totals			3	16	1

(a) Beaten by Democratic opposition candidate.
(b) Did not stand for reelection but district went Democratic in 1956.
(c) Change so slight as to be accounted for by statistical rounding - not in excess of .3%.
(d) Rank in cash farm receipts.

* A "farm district" is defined as one where 5% or more of the population is engaged in agriculture. This is the same classification used by Congressional Quarterly in their studies in this field.

THREE DISTRICTS LOST BY REPUBLICANS

Exhibit (B)

HOW "FARM DISTRICT"* REPUBLICAN CONGRESSMEN FROM SAME STATES AS CONGRESSMEN REFERRED TO IN EXHIBIT (A) AND WHO VOTED TO SUSTAIN FARM BILL VETO FARED WITH THE VOTERS BY COMPARISON (1956 PERCENTAGE COMPARED WITH 1954 PERCENTAGE)

Name and State	District Number	Rank (c)	Increase	Decrease	No Change (b)	No Contest
Illinois						
Mason	15	41	+1.8			
Allen	16	37	(no contest - 1954)			1
Arends	17	21			-.1	
(a) Velde	18	76	+1.3			
Chipperfield	19	43		- .7		
Vursell	23	75			-.3	
Iowa						
Schwengel	1	26	+1.0			
Cunningham	5	84		-4.5		
Kansas						
Scrivner	2	162			+.2	
Rees	4	42		-2.4		
Minnesota						
(deceased) Andreson	1	27	+ .6			
Nebraska						
Chase	2	121	+1.4			
Harrison	3	6		-15.1		
Miller	4	9		-4.7		
Wisconsin						
(d) Smith	1	97	+2.7			
(a) Davis	2	57	+1.3			
Withrow	3	50		- .9		
Van Pelt	6	115	+4.7			
Laird	7	82	+2.7			
Byrnes	8	105	+2.6			
Totals			10	6	3	1

(a) Incumbent not candidate for reelection. Another Republican was elected.
(b) Change so slight as to be accounted for by statistical rounding - not in excess of .3%.
(c) Rank in cash farm receipts.
(d) Deceased - Currently vacancy in district.
* A "farm district" is defined as one where 5% or more of the population is engaged in agriculture.

NO DISTRICTS LOST BY REPUBLICANS

Exhibit (C)

INCREASE OR DECREASE IN PERCENT OF THE VOTE IN 1956 IN RELATION TO 1954 FOR ALL HOUSE REPUBLICANS FROM FARM DISTRICTS* - A RECAP

	Voted to Sustain Veto	Percent of Total Voting to Sustain	Voted to Override Veto	Percent of Total Voting to Override
Where Congressman Increased Percentage	69	63.9	3	15.0
Where Congressman Decreased Percentage	27	25.0	16	80.0
No change (a)	9	8.3	1	5.0
No General Election Contest Both Years	3	2.8	0	0.0
Total	108	100.0	20	100.0

Not voting on this measure - 4 Republicans

(a) Change so slight as to be accounted for by statistical rounding - not in excess of .3%.

* A "farm district" is defined as one where 5% or more of the population is engaged in agriculture.

SUPPLEMENTARY NOTE:

There are five Republican Senators now in the Senate who voted in 1956 for high, rigid government farm price supports. They are Senators Langer, Young, Thye, Case and Mundt.

Exhibit (D)

INCREASE OR DECREASE IN PERCENT OF THE VOTE IN 1956 IN RELATION TO 1954 OF ALL DEMOCRAT CONGRESSMEN FROM FARM DISTRICTS* IN MIDWEST STATES.(a)

Name and State	District Number	Rank	Increase	Decrease	No Contest	No Change
Illinois						
Mack	-21	54		-1.3		
Gray	-25	149	+1.2			
Indiana						
Denton	- 8	152		-2.4		
Minnesota						
Wier	- 3	197		-2.4		
Marshall	- 6	69		-5.7		
Blatnik	- 8	259	+1.4			
Knutson	- 9	46	+1[illegible]			
Missouri						
Christopher	- 4	139				-.1
Hull	- 6	47		-1.6		
Carnahan	- 8	191		-2.9		
Cannon	- 9	40	(No Contest - 1956)		1	
Jones	-10	51	(No Contest - 1956)		1	
Moulder	-11	72		-4.5		
Ohio						
Polk	- 6	113	+2.3			
Hayes	-18	250	+2.3			
Wisconsin						
Johnson	- 9	52		-4.0		
Totals			5	8	2	1

* A "farm district" is defined as one where 5% or more of the population is engaged in agriculture. This is the same classification used by Congressional Quarterly in their studies in this field.

(a) The term "midwest" includes North Dakota, South Dakota, Nebraska, Minnesota Iowa, Missouri, Wisconsin, Illinois, Michigan, Indiana and Ohio.